

The background of the cover is a night-time photograph of the Peru LNG industrial facility. The scene is illuminated by numerous yellow and white lights, highlighting the complex network of pipes, scaffolding, and large storage tanks. Several tall, slender distillation columns are visible in the mid-ground. In the foreground, there are lower-level buildings and a paved area with some equipment. The overall atmosphere is industrial and brightly lit against the dark night sky.

# PERU LNG

## ANNUAL REPORT 2016



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**Maria Julia Aybar**  
General Manager  
PERU LNG

# 1. Message from the Management

**P**ERU LNG overcame many challenges in 2016 was a year of challenges to continue an operation without precedent in South America, while maintaining high social, environmental and operational standards. Although there were delays in dispatching vessels during the first few months, by the end of the year the annual dispatch program of 70 shipments of liquefied natural gas (LNG) had been met. This number represents an increase of 22.8% compared with 2015.

This situation was principally the consequence of an increase in the performance efficiency of the plant. There was also an increase in Transportadora de Gas del Peru's gas transport capacity, meaning that larger volumes of natural gas could be carried in the PERU LNG gas pipeline, of which 111,278 million cubic feet (MMCF) were destined for the domestic market, thus complying with the Agreement for the Increase and Use of Main Pipeline Transport Capacity.

This is a good indication of the efficiency of the plant, the operation of which depends on hundreds of extraordinary people whose daily work enables PERU LNG to continue operating at high standards and overcome production challenges after seven years of operation. Without the permanent commitment of these people and the continued support of PERU LNG's associate companies, it would not be possible to operate this plant— the only one in South America.



Similarly important is the work carried out in the fields of social investment and the environment. Throughout 2016, PERU LNG continued working toward the sustainability of its farming support, training and education programs through renowned institutions such as the Universidad del Pacífico, FONDEPES, the Fundación BBVA and FONCODES, among others.

As far as the environmental aspect is concerned, the company's activities facilitated the discovery of a new species of aquatic frog in the Andes at an altitude of 3,900 meters above sea level. This discovery was the result of the Biodiversity Monitoring Program's (BMAP) monitoring and research work carried out through the Smithsonian Institution, which seeks to understand and protect ecosystems found along the route of the gas pipeline and in the area surrounding the plant.

Furthermore, the company has been nominated by Peru's National Port Authority (APN) for the Premio Marítimo de las Américas prize, awarded by the Organization of American States. The nomination was made independently and takes into consideration practices implemented by the maritime and port sectors of both public and private entities that demonstrate sustainability, efficiency and innovation. In December, PERU LNG was told that it had won in the Environmentally Sustainable Management of Waste in Ports category, once again emphasizing the high standards to which the company operates.

In summary, 2017 was preceded by challenges that PERU LNG has been able to overcome to maintain its position as an industry leader working to high standards and forming a benchmark for the hydrocarbons sector. These results are also due to the leadership exhibited by Igor Salazar over the last six years. We will continue on the route mapped by him.



**“In December, PERU LNG was told that it had won in the Environmentally Sustainable Management of Waste in Ports category, once again emphasizing the high standards to which the company operates”.**

## 2. Declaration of responsibility



This annual report was completed on the 30th March 2017. It contains accurate and sufficient information on the performance of the business of PERU LNG S.R.L. (hereinafter PERU LNG) during 2016. Without prejudice to the PERU LNG's responsibility, the undersigned are responsible for its contents in accordance with applicable legislation.

**Maria Julia Aybar**  
General Manager

**Angélica Vallenás**  
Accountant  
Officer responsible for the  
financial affairs of PERU LNG

PERU LNG is a limited company having its registered office at Av. Víctor Andrés Belaunde 147, Vía Real 185, Torre Real Doce, office 105, district of San Isidro, province and department of Lima, Peru; its telephone number is (511) 707-2000 and its fax (511) 707-2099. The company was incorporated by public deed on the 24th of March 2003, in the presence of notary public of Lima Ricardo Fernandini Barreda, and is registered under electronic entry N° 11500968 in the Companies Registry at the Public Records Office for Lima and Callao (Lima office).



# 3. Fundamental principles

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## Vision

To be world-class producers of LNG in the spheres of operational efficiency, environmental and social performance and industrial safety.

## Mission

To be the most efficient world-class LNG producer providing a workplace free from accidents and environmental incidents, which acts as a responsible investor contributing to the local community, supported by the most talented workforce and employing best practices to achieve continual operational improvements whilst maximizing value for its shareholders.



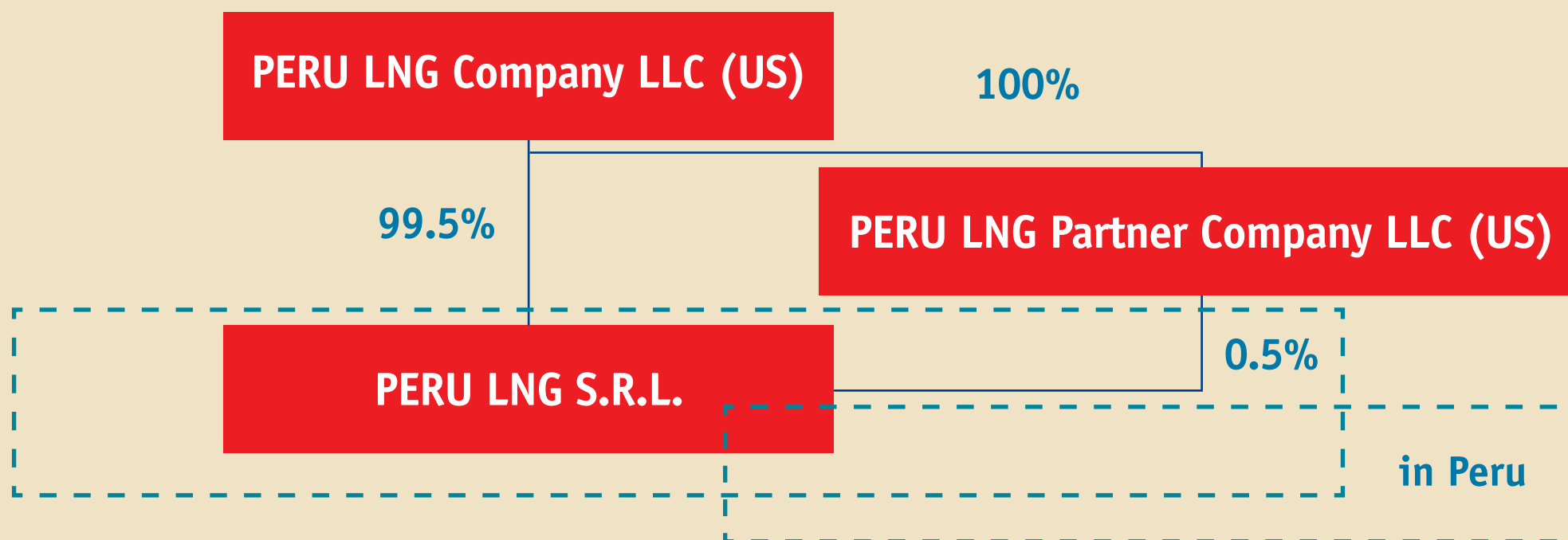
## 4. Getting to know our organization

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### a. Aims, timeframe and economic group

PERU LNG was created on the 24th of March 2003 to develop, build and operate a liquefied natural gas (LNG) plant. Its infrastructure includes a plant and related installations, port facilities for methane tankers, and a gas pipeline (ISIC 1110). In accordance with the Companies Act and other applicable legislation, the operating period is indefinite.

PERU LNG Company LLC holds 99.5% of the shares in the company and PERU LNG Partner Company LLC holds 0.5%, in accordance with the Regulations Governing Indirect Ownership, Non-arms-length Companies and Economic Groups approved by SMV Ruling N°019-2015-SMV/01.



The principal activities of the group made up of PERU LNG, PERU LNG Company LLC and PERU LNG Partner Company LLC include the development, design, engineering, procurement, construction, commissioning, financing, ownership, operation and maintenance in Peru of an LNG plant and gas export installations.

The following illustration shows the economic group made up of three companies.

**PERU LNG**, registered under electronic entry N° 11500968 in the companies register at the Public Records Office for Lima and Callao (Lima office), maintains securities registered with the Public Registry of the Peruvian Securities Exchange (RPMV), code PEP 75460. Its business includes hydrocarbons activities, transport, distribution, treatment, processing, refining, separation, compression, pumping, storage, dispatch,

sales, importing or exporting of hydrocarbons and their derivatives, as well as the operation of liquefaction plants, gas pipelines, oil pipelines, aqueducts, mineral products pipelines, multi-purpose pipelines, cabling and associated installations. It also carries out prospecting, exploration, exploitation and any other mining activities, as well as other related activities.

**PERU LNG Partner Company LLC**, a company incorporated and existing under the laws of the state of Delaware, United States of America, is not registered with the RPMV and has no securities registered in any stock market.

**PERU LNG Company LLC**, a company incorporated and existing under the laws of the state of Delaware, United States of America, is not registered with the RPMV and has no securities registered in any stock market.





## b. Capital


At the close of 2011 the capital of PERU LNG was US\$320'099,952. During this year it received advance payments from the parent company amounting to US\$1,251'335,125.

In June 2012 the first repayment to the parent company was made, amounting to US\$30'000,000. In December of that year all advance payments from the parent company, amounting to US\$1,221'335,125, were capitalized in accordance with a decision by a general meeting of shareholders on the 21st of December 2012.

As at the 31st of December 2012 the capital of PERU LNG was US\$1,541'435,077, represented by 1,541'435,077 shares, fully subscribed and paid up and having a nominal value of US\$1.00 each.

In 2013 the company's capital was reduced by share buybacks approved at general meetings of shareholders held on the 20th of May and 20th of November; the first was valued at US\$40'000,000 and the second at US\$100'000,000. Each one of the share buybacks was registered with Lima Public Records Office, on the 20th August 2013 and the 5th February 2014, respectively.





As of 31st December 2016 the capital of PERU LNG amounted to US\$1,461'435,077, represented by 1,461'435,077 shares, fully subscribed and paid up and having a nominal value of US\$1.00 each.





### Shareholdings in PERU LNG

Shareholding	Number of shareholders	% shareholding
Less than 1%	1	0.5
Between 1% and 5%	-	-
Between 5% and 10%	-	-
More than 10%	1	99.5
<b>Total</b>	<b>2</b>	<b>100</b>

Source and elaboration: Own data

As of 31st December 2014 the capital of PERU LNG amounted to US\$1,401'435,077, represented by 1,401'435,077 shares, fully subscribed and paid up and having a nominal value of US\$1.00 each.

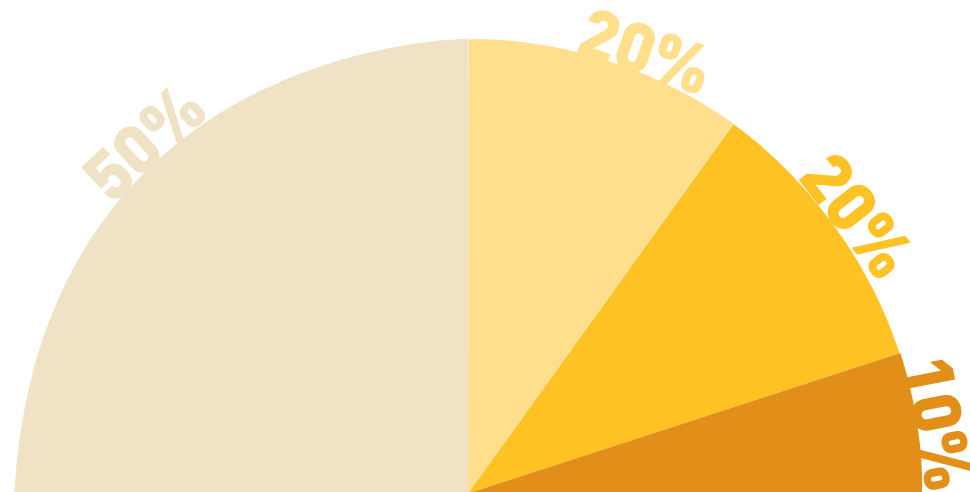
As at the 31st December 2015 the capital of PERU LNG remained at US\$1,401'435,077, represented by 1,401'435,077 shares, fully subscribed and paid up and having a nominal value of US\$1.00 each.

In 2016 the company's capital was increased by the capitalization of new contributions approved at general meetings of shareholders on the 13th May and 5th August 2016, amounting to US\$ 30'000,000 and US\$ 30'000,000, respectively. Each one of the capital increases was registered at Lima Public Records Office on the 31st May 2016 and 2nd September 2016, respectively.

As of 31st December 2016 the capital of PERU LNG amounted to US\$1,461'435,077, represented by 1,461'435,077 shares, fully subscribed and paid up and having a nominal value of US\$1.00 each.

PERU LNG Company LLC is the holder, both directly and indirectly, of 100% of the shares in PERU LNG.





## c. The promoters

The promoters are companies with indirect shareholdings in PERU LNG, but they do not form part of the economic group. They are: Hunt Oil Company, with a 50% holding; Shell Gas B.V., with 20%; SK Innovation Co. Ltd., with 20% and Marubeni Corporation with 10%.

During the construction stage the promoters contributed US\$1,571'435,077, which represents more than 40% of the total cost of the project.

PERU LNG is operated by Hunt LNG Operating Company. S.A.C. (Hunt LNG), a Peruvian company owned 100% by Hunt Oil Company.







## d. Financing and capital contributions

In order to finance the project, on the 26th of June 2008 PERU LNG entered into an agreement having common terms, with the principal lenders and valued at US\$2,050'000,000. The first disbursement amounting to US\$700'000,000 was received on the 14th November that year, after all the conditions had been met. Later, in December 2010, the total amount agreed was disbursed.

As at the 31st December 2016, the debt owed was US\$1,257'221,200. According to the payment schedule the next amortization of capital and interest will take place in May 2017. The following table shows the debt balance broken down by institution as at the 31st December 2016.

### Balance owed as at the 31st of December 2016 (US\$ in thousands)

IADB A	272,174
IADB B	238,056
US EXIM	228,573
IFC	204,131
K EXIM	171,429
SACE	142,858
<b>Total</b>	<b>1'257,221</b>

Source: Own figures

The Peruvian stock market also provided part of the financing. The process began in October 2009. The 19th November of that year saw four simultaneous issues, all part of the PERU LNG first corporate bond program valued at US\$ 200'000,000, which was approved by Ruling N° 064-2009-EF/94.06.3 issued by the Companies and Securities Supervisory Commission (now the Stock Exchange Regulatory Authority - SMV). [See table.]

### PERU LNG First Corporate Bonds Program - issues

	First <sup>(2)</sup> issue	Second <sup>(3)</sup> issue	Third issue	Fourth issue
Value of the issue (US\$000)	10,000	40,000	160,000	160,000
Demand (US\$ thousands)	32,068	53,722	341,799	33,080
Amount placed (US\$000)	10,000	30,000	135,325	24,675
Term (years)	2.5	5.0	15.0	15.0
Period of grace	2.0	2.5	5.0	5.0
Coupon	Every six months	Every six months	Every six months	Every six months
Currency	US\$	US\$	US\$	US\$
Interest rate	3.44%	4.66%	Libor (6M) + 3.65625%	7.16%
Spread <sup>(1)</sup>	1.39%	1.22%	2.27%	2.27%

(1) Spread vs. Peruvian global bonds

(2) The first issue was paid in full in May 2012

(3) The second issue was paid in full in November 2014



### Bonos PERU LNG – Negociaciones en la BVL en 2016

Nemónico	ISIN	Año - Mes	Cotizaciones 2016				
			Apertura	Máxima	Mínima	Cierre	Promedio
PLNG1BC1A	PEP75460M014	2016 – 12	-	-	-	-	-
PLNG1BC2A	PEP75460M022	2016 – 12	-	-	-	-	-
PLNG1BC3A	PEP75460M030	2016 – 12	-	-	-	-	-
PLNG1BC4A	PEP75460M048	2016 - 12	-	-	-	-	-

In May 2012 the first issue of corporate bonds valued at US\$10'000,000 was repaid in full, as was the second issue valued at US\$40'000,000 in November 2014. The bonds were not traded on Lima Stock Exchange, as shown in the next table.

During the construction stage the promoters provided US\$1,571'435,077. This contribution represents, proportionally, all the capital necessary to finance the construction cost of the project, in addition to financing from the main lenders and the local bond issues mentioned above.



**As of 31st December 2016,  
no short-term disbursements  
from the working capital  
facility were necessary.**

In June 2016 PERU LNG renewed the working capital line that it had maintained since 2010 with the Banco de Credito del Peru and amounting to US\$37'500,000, extending it for a further two year period. This line includes letters of guarantee and letters of credit, in addition to short-term disbursements. Disbursements from the capital line have a maximum term of six months and are used during the operation stage as and when required. As of 31st December 2016, no short-term disbursements from the working capital facility were necessary.





## e. Contracts with the Peruvian State

On the 12th of January 2006, the company entered into an investment agreement in the form of a contract—law that prohibits the unilateral modification or amendment of its terms, for the installation, operation and maintenance of a natural gas processing plant; the agreement was signed by representatives of PERU LNG and the Peruvian state represented by the Hydrocarbons Bureau (DGH) of the Ministry of Energy and Mining and the Central Reserve Bank of Peru (BCR). Among others terms, the agreement establishes the following: (i) PERU LNG will be the sole owner of the LNG plant and related installations (including the gas pipeline) and the LNG produced in the plant, which may be exported freely; (ii) provisions concerning investment by PERU LNG in the construction and operation of the LNG plant and related installations; and (iii) guarantees to PERU LNG and its shareholders concerning taxes, import duties and foreign currency.



The investment agreement, approved by a Supreme Decree in accordance with the terms of the Promotion of Investment in Natural Gas Processing Plants Act gives PERU LNG the right to a stable tax and exchange rate regime, as well as other guarantees established in the Act, for a period of 40 years.

Finally, on the 5th of July 2010 the investment agreement was modified by public deed to include as Annex D the Agreement for the Use and Expansion of the Carrying Capacity of the Main Pipeline, entered into by Transportadora del Gas del Peru S.A. and PERU LNG, according to article 81 of the Regulations Concerning Carriage of Hydrocarbons by Pipeline approved by Supreme Decree N° 081-2007-EM.





## f. Supply of natural gas

In accordance with the supply contract, the plant will receive natural gas from the Camisea fields for 18 years.

The 6th of August 2014 saw the commencement of a modified and re-drafted Natural Gas Sales Contract for Block 88, entered into by PERU LNG and the holders of Block 88, who undertake to provide natural gas to PERU LNG solely for local consumption or when it is to be used or consumed in any other manner in the PERU LNG production process.

A modified and re-drafted Contract for the Sale of Natural Gas from Block 56, entered into by PERU LNG and the holders of Block 56, took effect on the same date. The contract entitles the holders of Block 56 to incorporate the gas supplied by the holders of Block 57 into their firm delivery obligation to PERU LNG.

With these contractual changes PERU LNG maintains its right to a firm commitment to deliveries of 4.2 trillion cubic feet of gas during the term of the contracts, at a rate of 670,000 million BTU (British Thermal Units) per day, in accordance with daily quantity required (CDR).

## g. Market growth

The behavior of the liquefied natural gas (LNG) market has been very varied in 2016, due to production from new plants in the United States and Australia. In addition to existing markets, for example those of Japan, South Korea, Spain and other European countries, new markets have sprung up quickly. Annual demand has increased by 17 million tons, equivalent to growth of approximately 7%. This growth has been led by India and China.

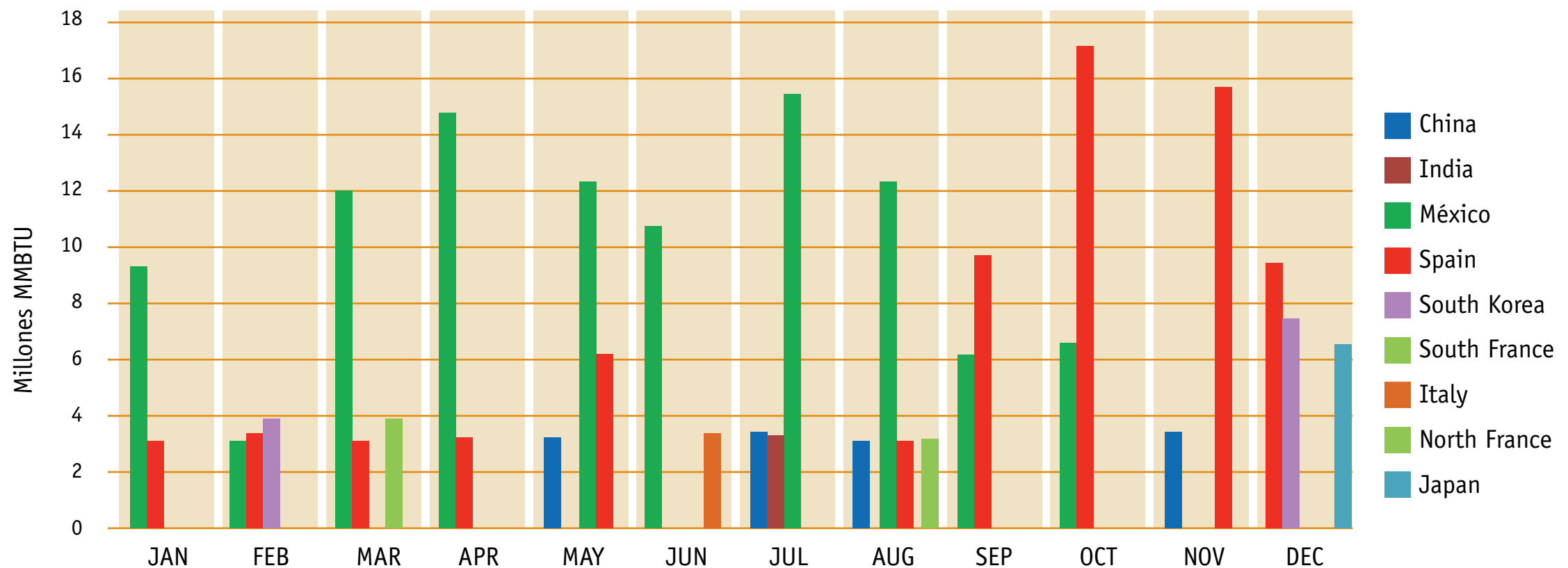
There has also been a significant increase in new countries such as Egypt, Jordan, Pakistan and Poland that are diversifying their energy matrices and reducing their carbon emissions—changes that are part of a global effort driven by new policies favoring the use of natural gas and that have increased demand for it. It is also expected that the use of the latest technology, such as floating regasifying and storage units (FRSU), will make a significant contribution to this growth. These units make it possible for regasifying infrastructure to be deployed relatively rapidly and at very competitive prices.

LNG sales are also evolving rapidly. Liquefaction and regasifying projects based on long-term sales contracts, with tankers supplying LNG only to certain markets, thus creating limited delivery capability, are a thing of the past. Purchasers are now reluctant to assume commitments for periods of more than 20 years and demand shorter term contracts. The LNG spot market is maturing and has greater liquidity, which allows commercial operators to bolster their hedging positions to reduce risk.

PERU LNG's purchaser, Shell, forecasts that in 2016 - 2020 the annual demand for LNG will grow by 4% to 5%. In the short term, this increased demand will be covered by projects currently under construction. Nevertheless, during the last two years global energy prices have been such as to eliminate new projects or cause final investment decisions to be postponed. These factors, together with forecast growth, could generate a significant impact on the supply and demand equation in the medium term.



## Monthly sales in 2016



Fuente: Elaboración propia

## h. Target markets

On the 1st of January 2014, Shell International Trading Middle East (SITME) replaced Repsol Comercializadora de Gas S.A. as the off-taker for PERU LNG by means of the Third Amended and Restated LNG Sale and Purchase Agreement, which was entered into on the 31st of December 2013. SITME is part of the Royal Dutch Shell (RDS) group, one of the largest oil companies in the world. Shell's LNG businesses include trading and one of the largest fleets in the industry.

During 2016, the LNG produced by PERU LNG and sold by SITME went mainly to Mexico (46%), Spain (33%), China (6%), South Korea (5%) and others destinations in Asia (4%) and Europe (4%).

Despite the long distances, PERU LNG remains attractive for European and Asian markets. The following table shows monthly sales during 2016.

## i. The hydrocarbons sector in Peru

PERU LNG's activities are subject to current Peruvian law. The Hydrocarbons Act N° 26221 that regulates the sector in Peru says that the Peruvian state encourages the development of hydrocarbons on the basis of free competition and free access to economic activities. For this purpose it guarantees the legal stability of contracts, as established in article 62 of the Peruvian Constitution, as well as a stable tax and exchange rate regime.

The Hydrocarbons Act also establishes that exploration and exploitation of hydrocarbons are to be carried out through license and services agreements, as well as other types of contract authorized by the Ministry of Energy and Mines (MEM) and governed by private law. Contracts that have been approved and signed can only be modified by written agreement between the parties and are subject to approval by supreme decree.

The legal framework for the hydrocarbons sector, which regulates and supports the activities of PERU LNG, consists of the following principal legislation:

Hydrocarbons Act.

Supreme Decree N° 051-93-EM: Regulations Concerning Hydrocarbons Refining and Processing.

Supreme Decree N° 081-2007-EM: Regulation for the Carriage of Hydrocarbons through Pipelines.

Supreme Decree N° 032-2004-EM: Regulations Concerning Hydrocarbons Exploration and Extraction.

Law N° 28176: Promotion of Investment in Natural Gas Processing Plants Act.

Supreme Decree N° 031-2004-EM: Executive Regulations to the Promotion of Investment in Natural Gas Processing Plants Act.







**The OEFA, which reports to the Ministry of the Environment, is responsible for ensuring that individuals and entities both public and private comply with environmental standards, which it does through evaluations, supervision, control, monitoring and penalties in environmental matters.**

The hydrocarbons sector consists of the Ministry of Energy and Mines (MEM) and two regulatory authorities: the Supervising Body for Investment in Energy and Mining (OSINERGMIN) and the Environmental Monitoring and Evaluation Authority (OEFA). The MEM is responsible for designing general policies for the sector and, as the grantor, for awarding concessions. OSINERGMIN, which is a functional dependency of the Office of the Prime Minister, is responsible for establishing tariffs for the transport and distribution of gas and for monitoring compliance with the concessionaires' obligations stipulated in their contracts and in applicable legislation; at the same time, it supervises the quality of the service provided with reference to the legislation and technical standards applicable to safety in the industry in question.

The OEFA, which reports to the Ministry of the Environment, is responsible for ensuring that individuals and entities both public and private comply with environmental standards, which it does through evaluations, supervision, control, monitoring and penalties in environmental matters.





## 5. Infrastructure that astounds the world

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### a. Gas pipeline

The PERU LNG gas pipeline is an impressive piece of infrastructure that marks a milestone in the history of engineering in Peru. It is a high-pressure gas pipeline 34 inches in diameter with a carrying capacity of 1,290 million cubic metres per day of dry natural gas, which traverses some of the world's most diverse geography, including mountains and ravines, areas where access is difficult, numerous river crossings and Peru's coastal desert. It is buried for the whole of its route, except where surface facilities are located.





The starting point is at approximately kilometer 211 of the Transportadora del Gas del Peru S.A. (TGP) gas pipeline, in the community of Chiquintirca, Ayacucho Region, in the central highlands, and it runs as far as Pampa Melchorita on the Peruvian coast, where the PERU LNG liquefaction plant is located.



## b. Liquefaction plant

The PERU LNG plant transforms natural gas into liquid to facilitate transport. It is the first liquefaction plant in South America and was built on 521 hectares of land, 163 kilometers south of Lima on the Southern Pan-American Highway.

The site posed engineering challenges for PERU LNG and therefore required exhaustive and detailed study. Although Pampa Melchorita met certain specific requirements, such as a low level of environmental sensitivity, low population density, soil stability and stable sea conditions, roads had to be built to reach the shore and optimize the site's altitude of 135 meters above sea level to build the port facilities.

With an installed capacity of 4.45 million tons per year (MMtpy), the plant processes approximately 626 million cubic feet per day (MMcfd), which covers the 4.2 MMtpy of LNG established in the contract.

The industrial process begins with the reception of dry natural gas from the Block 56 and 57 fields in Camisea and the removal of the liquids it contains. The natural gas is measured and its pressure controlled. Carbon dioxide (CO<sub>2</sub>) is then removed in the acid gas removal unit. From this stage onward the gas is dried using molecular sieves and activated charcoal before being liquefied. The natural gas is then cooled with propane refrigerant and condensed into a liquid in the principal cryogenic heat exchanger. At the end of the process, the LNG is stored in two tanks, each of 130,000 cubic meters, before being shipped in methane tankers.

The plant is self-sufficient. It generates its own electricity and produces other services. It has three generators, one control center, offices, warehouses, workshops, training facilities and living quarters.





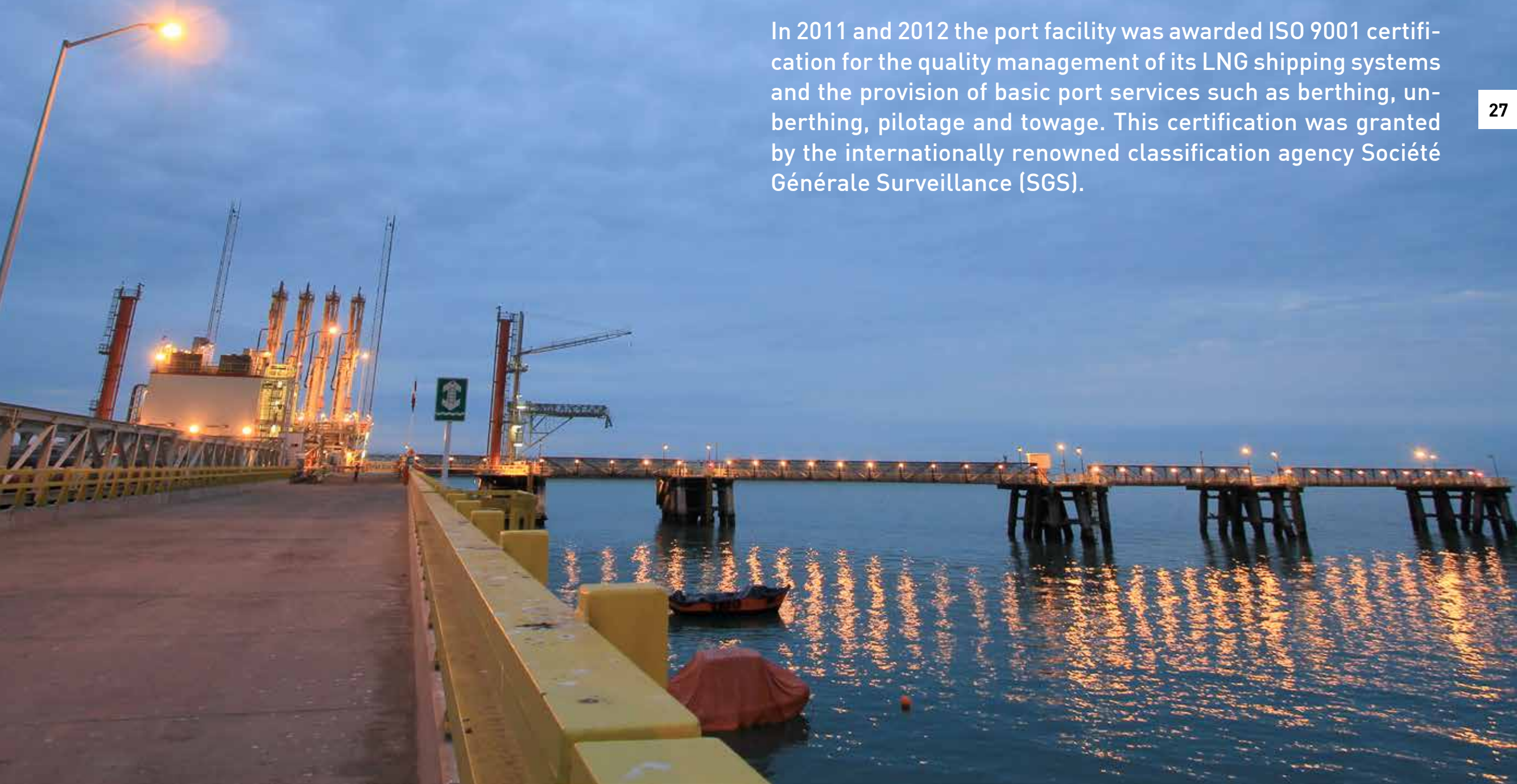
## c. Port facility

The port facility was the last to be built, the culmination of the efforts of PERU LNG's engineers. The facility includes a breakwater 800 meters long built parallel to the shoreline, located 350 meters from the loading jetty; a trestle jetty 1,400 meters long with an LNG loading platform at the end; a berth for methane tankers consisting of four dolphins fitted with

fenders and six further dolphins holding the mooring bollards. This port facility can accept vessels from 90,000 cubic meters to 173,000 cubic meters.

In addition to the port facility itself, there are access channels from the south and north, a tug berth and other installations necessary for dispatching LNG.

In 2011 and 2012 the port facility was awarded ISO 9001 certification for the quality management of its LNG shipping systems and the provision of basic port services such as berthing, unberthing, pilotage and towage. This certification was granted by the internationally renowned classification agency Société Générale Surveillance (SGS).





## **6. Working responsibly and with commitment**

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**The commissioning of the  
liquefaction plant in June 2010  
marked the start of the operation of  
one of the most significant projects  
ever implemented in Peru.**





The commissioning of the liquefaction plant in June 2010 marked the start of the operation of one of the most significant projects ever implemented in Peru. The PERU LNG plant, the first in South America producing liquefied natural gas, is supplied by a gas pipeline 408 kilometers long carrying natural gas from Ayacucho, through Huancavelica, Ica and Lima.

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### **a. Operating to high standards of quality**

PERU LNG operates to the highest industry standards, not only to guarantee strict compliance with Peruvian and international legislation, but also to achieve its vision and mission as a world-class organization, efficient technically, operationally and economically as well as being environmentally and socially responsible.



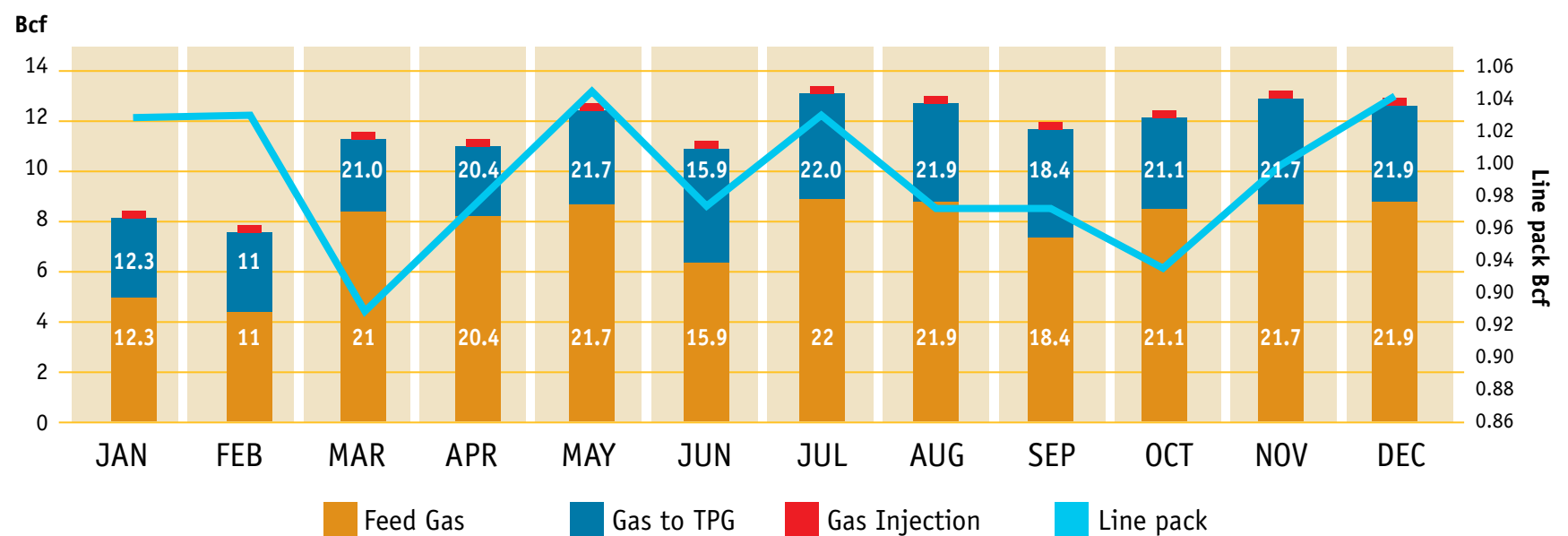
## Gas pipeline

During 2016, PERU LNG increased the volume of natural gas carried in the gas pipeline to 931 MMcfd, from 801 MMcfd in 2015. In accordance with the Agreement for Main Pipeline Capacity Increase and Use, 228,816 MMcf went to the LNG plant and 111,278 MMcf to the domestic market.

This was achieved by the commissioning of new compression facilities by Transportadora de Gas del Peru (TGP), which increased the capacity of the pipeline from 1,150 to 1,540 MMcf. The capacity increase provided PERU LNG with permanent additional volumes of gas and flexibility in the pipeline system.

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## Volumes carried (2016)



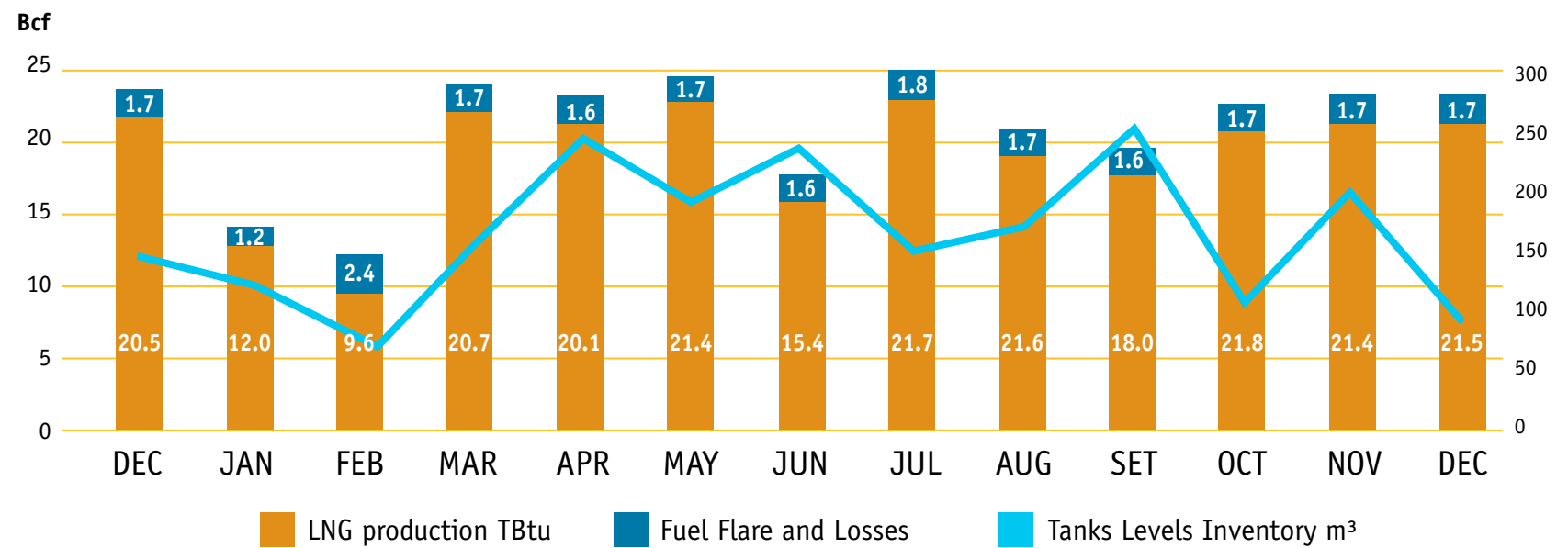
Source: Own figures



## Liquefaction plant and port facility

The performance efficiency of the plant during 2016 was 92%. 224.3 trillion British therman units (TBtu) of LNG was produced compared with 189.9 TBtu produced in 2015—an increase of 18.11%.

### Volume produced (2016)



Source: Own figures





## LNG shipments

During 2016, 70 methane tankers berthed at the PERU LNG port facility and loaded 225.1 Tbtu of LNG. This represents an increase of 25% in the number of vessels and of 19.8% in volume carried compared with the previous year, when 187.8 TBtu were dispatched in 56 vessels. Performance in previous years was: In 2014, 60 vessels (214.5 Tbtu); 2013, 57 vessels (222.4 TBtu); 2012, 53 vessels (203.7 TBtu) and 2011, 55 vessels (209.15 TBtu). It should be noted that operations commenced in June 2010 and, therefore, only 24 vessels used the facility that year.



Buques cargados en 2016: volumen en m3 y MMBtu			
Mes	Buques	MMBtu	m <sup>3</sup>
Enero	4	12,589,023	542,392
Febrero	3	10,528,837	453,001
Marzo	6	18,606,217	801,079
Abril	6	18,337,172	189,999
Mayo	7	22,253,220	958,201
Junio	5	14,499,596	624,746
Julio	7	22,553,549	971,904
Agosto	7	22,097,317	952,264
Septiembre	5	16,106,018	694,187
Octubre	7	24,121,772	1,039,517
Noviembre	6	19,507,263	840,558
Diciembre	7	23,924,002	1,030,839
Total	70	225,123,986	9,698,685



## Details of vessels loaded and quantity of LNG (TBtu) by destination country

The destinations of the 70 methane tankers were as follows: **34 to Mexico** (47%), **23 to Spain** (33%), **2 to France** (3%), **2 to Japan** (3%), **1 to India** (1%), **3 to South Korea** (5%), **4 to China** (6%) and **1 to Italy** (2%).

SITME was the company responsible for purchasing, carrying and selling the LNG produced in the plant during 2016. The LNG is sold on a FOB (Free on Board) basis at a contractual sale price indexed to natural gas prices at the destination of the shipment.





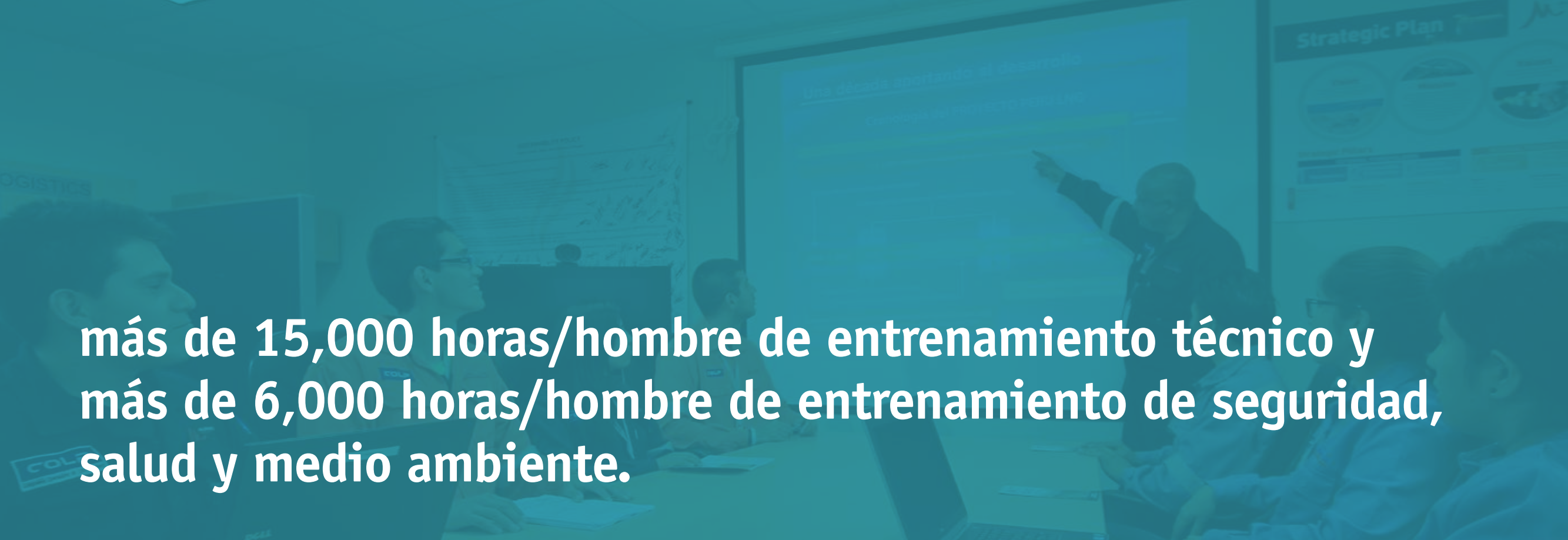


## b. Human resources and personnel

Administrative	December 2016		December 2015	
	Temporary	Permanent	Temporary	Permanent
Officers	-	4	-	2
Employees	-	10	-	11
<b>TOTAL</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>13</b>

The Human Resources and Administration Department continued to implement programs and benefits during 2016 aimed at creating an adequate working environment and developing the skills of our collaborators, which in turn guarantees that the company will improve its results. Plans were implemented for optimizing contracts, training and development, as well as validating technical skills, among others.



A person is standing and pointing at a large presentation screen in a meeting room. Several other people are seated around a table, looking at the screen. The room has a blue tint. The text is overlaid on the image.

**más de 15,000 horas/hombre de entrenamiento técnico y más de 6,000 horas/hombre de entrenamiento de seguridad, salud y medio ambiente.**

#### **Plan for optimizing administration contracts**

During the first semester of the year a plan was implemented to optimize the commercial conditions of our most significant administration contracts, thus improving the benefits shared with suppliers or users of immigration services, camp services, personnel transport services, cleaning services and others. Furthermore, during July and August, an optimization program for 20% of the vehicle fleet was developed.

#### **Training and development plans**

Priority was given to a training program in professional skills relating to process safety management (PSM). The application of this program, which involved more than 4,000 man hours of training, propagated knowledge and good practice in incident investigation, operations and maintenance procedures, hazard identification and leadership in process safety, among other benefits.

Technical training and development plans paid particular attention to the critical nature of plant equipment, processes and technical feedback based on internal and external audits, taking into account the inherent demands of safety and the environment. More than 15,000 man hours of technical training were required, and more than 6,000 man hours of health, safety and environmental training.

#### **Leadership strengthening programs**

A program to strengthen leadership skills was started in 2016 and will last two years, concentrating on skills such as self-knowledge, guidelines and feedback for the organization's leaders. With this program the organization's frontline leaders underwent a process of self-evaluation and discovery of behavior preferences, aimed at achieving better results and people management.





The 360° evaluation process involved the identification of opportunities for improvement. It should be mentioned that this process was accompanied by an in-house coaching program.

We expect that this leadership strengthening program will produce improvements in key criteria for the development of the organization, such as leadership effectiveness, delegation, time management, feedback, team development and effective communication.

### **Validation of technical skills**

The continual evaluation plan and compilation of evidence of technical and safety knowledge, which lasted two years, validated the skills of a representative sample of technicians and operators concerning international standards in the industry.

In conjunction with the KENSON school for International Vocational Qualification Level III (IVQ III) awarded by City & Guilds, 20 plant operators, including electricians, instrument technicians, mechanics and operators obtained the Advanced Diploma in Oil and Gas Operations. This certification confirms the quality of our technical personnel and PERU LNG's use of best practices in the operation of its plant.

Achieving this target required approximately 2,520 hours of practice, theory and evidence compilation, as well as training in the methodology of evaluation plant personnel and internal and external verification of skills using concrete evidence.





### c. PERU LNG Administration

PERU LNG is a limited liability corporation. The company’s senior management personnel are:

Position	Name
General Manager	María Julia Aybar
Director of Corporate Affairs and Communications	David Lemor
General Counsel	Solange Cuadros
Commercial Project Development Director	Konrad Rudnicki
Planning Manager	Jaime Risco

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#### María Julia Aybar

Mrs. Aybar studied at the Catholic University of Peru’s Faculty of Law and pursued postgraduate studies at the University of Lima. She taught specialist courses in hydrocarbons sector legislation, including regulations applicable to natural gas. She started working in the oil and gas sector in the legal department of PeruPetro (the government body that administers oil exploration and extraction in Peru). She worked as an associate for nearly 10 years and later as a partner in Estudio Muñoz law firm, where her experience in different aspects of the hydrocarbons business proved valuable. She helped to advise the companies involved in all phases of the Camisea project: exploitation, transport and distribution, including financing. She was general counsel of PERU LNG from February 2006 to December 2016. From the 1st of January 2017 she has occupied the post of General Manager.



## David Lemor

Before joining PERU LNG, Mr. Lemor was a Minister of State holding the Production portfolio (February 2005 – July 2006) and executive vice president of the National Competitiveness Council. He was later appointed special representative of the Government of Peru in Washington, where his task was to obtain approval of the Peru - USA Free Trade Agreement. He was executive director of Proinversion from 2007 to 2008. At present he is a professor at San Ignacio de Loyola University and Ricardo Palma University and a director of the National Manufacturing Society. He is the director of corporate affairs and communications for PERU LNG.

## Solange Cuadros

Solange Cuadros studied at the Catholic University of Peru's Faculty of Law and pursued postgraduate studies at Duke University (USA). She has more than nine years of experience in energy and corporate law and has taken various specialist courses in hydrocarbons and electricity. She began in the energy and mining department of Estudio Muñoz law firm before moving to the Peruvian ombudsman's office. She worked for PERU LNG from 2008 to 2012 as part of the company's legal team. She was General Counsel and Head of Legal and Regulatory Affairs of the GCZ Energía group from 2013 to 2015 and EDC Peru Holdings in 2016. She has held the position of General Counsel of PERU LNG since January 2017.

## Konrad Rudnicki

Mr. Rudnicki holds an MBA and BBA from Southern Methodist University, specializing in finance and accounting. He started his career with Triton Energy in Dallas, Texas, where he worked in the finance department on internal exploration and production projects. After Triton Energy was acquired by Hess Oil he joined North American Coal as senior strategy analyst and worked with the finance director of the company on short- and long-term strategies, as well as helping in the capital assignment process and financial operations. He then headed the EnCana non-conventional business unit based in Dallas as adviser to the regional president on the strategic portfolio. At Hunt he headed and worked on various initiatives with Hunt Energy Horizons, as business development manager then as director of strategic planning of Hunt Oil Company.

Since June 2014 he has been PERU LNG's commercial and project development director.

## Jaime Risco

Mr. Risco studied Industrial Engineering in the Faculty of Science and Engineering of the Catholic University of Peru before obtaining an MBA from the University of Virginia (USA). He worked on the Camisea project in the commercial department of Pluspetrol as an analyst from 2006 to 2010. He was also financial manager in the planning department of Microsoft's sales, marketing and services group.

He joined PERU LNG in 2014 and has been planning manager since February 2016.





## d. Judicial and administrative procedures and arbitration

### **Contested-administrative procedures**

At the close of 2016, PERU LNG was awaiting a decision on an appeal lodged by it against a sentence rejecting the company's administrative claim made in March 2011 against Osinergmin concerning fines imposed against it (case 01130-2011).

The action questions the validity and, therefore, applies for a declaration striking down General Management Rulings N° 004458 and 004666, and Rulings N° 030-2010-OS/TASTEM-S2 and N° 007-2010-OS/TASTEM-S2, imposing fines amounting to approximately US\$912,635 for alleged non-compliance with commitments assumed under the corresponding environmental management instruments.

### **Arbitration proceedings**

The first hearing held by the International Arbitration Court of the International Chamber of Commerce in arbitration proceedings between PERU LNG and Pluspetrol Peru Corporation S.A., Pluspetrol Bloque 56 S.A., Tecpetrol Bloque 56 S.A.C. and Sonatrach Peru Corporation S.A.C., took place on 26th August 2016.

In this arbitration process PERU LNG is questioning invoices issued by the above companies in July and August 2015 for alleged additional payments for gas sold in 2010 and 2011.

On 6th October 2016, after the parties had agreed the terms of reference applicable to the proceedings, the arbitration panel consisting of two arbitrators and one president, established the procedural timetable that will govern the arbitration.

It should be noted that the total amount in dispute is approximately US\$ 90.3 million.





**The company's social investment projects are implemented in coordination with the communities themselves in a process of permanent and fluid dialog.**

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## **e. Our commitment to the community**

With social investment projects aimed at improving the productive skills of people living near to the gas pipeline and plant, PERU LNG is also helping to strengthen the confidence and respect of communities and stakeholders in its direct area of influence in the Ayacucho, Huancavelica, Ica and Lima regions.

The company's social investment projects are designed to promote the sustainable development of local communities and are implemented in coordination with the communities themselves in a process of permanent and fluid dialog. A number of projects were implemented during 2016, including those described below.



## i. Training program for public investment management



This program, which started in March 2012, helps to strengthen the abilities of the technical members of municipal governments who are responsible for drawing up and implementing strategic public investment projects to meet the basic needs of the population. This program provides advice to municipal officials on the preparation of technical designs and strategies for obtaining public funds.

Advisers from Universidad del Pacífico assisted the municipal officials to produce profile studies, answered their queries on public governance and facilitated contact with government entities responsible for promoting public investment, especially with the Ministry of Finance.

In the second half of 2016, a second contract was signed with the Universidad del Pacífico to carry on with the second stage of the program, which includes technical assistance for the municipalities of Vinchos, Chiara, Acocro in Ayacucho and Pilpichaca in Huancavelica.

In addition to helping to improve relations with district municipalities, this project has ensured that S/.30 million in central government funds are available for social projects that meet the basic needs of the population. It has also made PERU LNG a good example of a socially responsible company in the hydrocarbons sector and showed clearly that world-class investment can contribute to the sustainable development of communities in its areas of influence.

The following projects were started in 2016 and are due to be completed in the first quarter of 2017:



- **Municipality of Acosvinchos**

*Improvements to primary health care at healthcare establishments in Huaychao and Urpay, part of the Quinoa sub-network - Huamanga Health Services network - DIRESA Ayacucho.*  
District of Acos Vinchos, Huamanga, Ayacucho  
SNIP code N° 252147

**Investment: S/.4'021,357 - PERU LNG contribution: S/.229,445.66**

- **Municipality of Vinchos**

*Project: "Improvement in basic regular secondary education at Justiniano Quicaria Magallanes, Walter Ebertz and Pablo Valeriano Mesahuaman schools."*  
District of Vinchos, Huamanga, Ayacucho  
SNIP code N° 287354

**Investment: S/.7'675,715.00 - PERU LNG contribution: S/.330,616.00**

*Flood defense works on the River Vinchos at Casacancha, Anchacc Wasi, San José de Mayobamba, San Luis de Picha and the urban area of Vinchos-Huamanga-Ayacucho."*  
District of Vinchos, Huamanga, Ayacucho  
SNIP code N° 288951

**Investment: S/.9'823,681.00 - PERU LNG contribution: S/.423,145.00**



The following agreements for the financing of projects by state entities were also signed:

- **Municipality of Vinchos**

*Public investment project entitled “Improvements to the potable water and drainage service in Ranracancha, Qochapunco, Concahuaylla, Orccunchupa, Tinco, Villa Vista, Qasanccay, Mutuyniyocc, Remillayocc, Huayunchoccllo, Qanccayllo, Vizcachayocc, Huayllapampa, Accomachay, Qasacruz, Pucaloma and Qenhuas in the community of Vinchos.”*

District of Vinchos, Huamanga, Ayacucho.

SNIP code N° 341275

**Total cost of project: S/. 5'652,723.00 \*PERU LNG contribution: S/.20,000.00**

(\*) The PERU LNG contribution was used for drafting a technical dossier acceptable for financing by the Ministry of Housing, Construction and Public Hygiene. Construction is planned for the second half of 2017.

*Public investment project entitled “Improvement and extension of the potable water supply and creation of basic hygiene units in 16 rural locations in the community of Vinchos.”*

District of Vinchos, Huamanga, Ayacucho.

SNIP code N° 2330313

**Total cost of project: S/. 12'769,915. 00 \*PERU LNG contribution: S/.60,250.00**

(\*) The PERU LNG contribution was used for improving the technical dossier to be submitted for financing by the Ministry of Housing, Construction and Public Hygiene. Construction is planned for the second half of 2017.





## • Municipality of Acocro

Public investment project entitled *“Improvements to the irrigation system in Chullu-huaycco, affecting the villages of Pomapuquio, Papamarca, Acocro and Qochani in the district of Acocro.”*

District of Acocro, Huamanga, Ayacucho.

SNIP code N° 247815

**Total cost of project: S/. 28'598,859.00 \*PERU LNG contribution: S/.100,000.00**

(\*) The PERU LNG contribution was used to draft a technical dossier to be submitted for financing by the Irrigation Program of the Ministry of Agriculture and Irrigation. Construction is planned for the second half of 2017.



## II. Allin Minkay



The Allin Minkay program, implemented with the Andean Promotion Workshop (Taller de Promoción Andina - TADEPA), consists of a series of projects aimed at improving the living standards, competitiveness and incomes of 158 families in the communities of Uras, Santa Magdalena, General Córdova de Socos, Urpaypampa and Pomapuquio in the districts of Vinchos, Acocro and San Miguel, Provinces of Huamanga and La Mar in Ayacucho.

The communities participating in the project are located in the direct area of influence of PERU LNG in Ayacucho region. The project includes the following components:

- a. Farm production management.
- b. Environmental management.
- c. Organizational and commercial management.

To guarantee the sustainability and continuity of the project we are contemplating economically viable farm production that is socially acceptable and environmentally sustainable.

The program obtained the following results in 2016:

### Farm production management component:

- 148 producers (100%) use pressurized irrigation on their crops. The target was 98%.
- 142 producers (96%) apply soil conservation techniques (the target was 85%). 97% of producers carry out soil analysis and 99% practice water conservation, 97% organic conservation and 81% physical soil conservation.





- 134 farmers (91%) have increased the use of proper soil preparation techniques (the target was 95%). 97% of producers harrow their land and 73% sow seeds at adequate spacing.
- 140 farmers (95%) have adequate knowledge of how to choose good quality seed (the target was 95%). 99% of producers can recognize a healthy seed and 95% can recognize seed of a suitable size.
- 128 farmers (86%) extended the use of proper sowing techniques (the target was 90%). 80% of producers disinfect their seeds and 64% sow at an adequate density.
- 136 farmers (92%) have increased the use of adequate crop management techniques (the target was 90%). 96% of producers weed their crops in an opportune manner, 90% earthed up correctly and 93% watered correctly.
- 107 farmers (72%) have adequate levels of knowledge of phytosanitary treatments (the target was 90%).
- 123 farmers (83%) extended their use of proper harvesting techniques (the target was 90%). 27% of producers use threshing machines, 12% use tractors and 49% harvest manually.
- 129 farmers (87%) adequately manage their crops during the post harvest period (the target was 90%). 73% of producers classify harvested crops by variety, 57% use adequate packaging and 69% have ventilated barns and use pallets.





### Environmental management component:

- 121 producers (82%) have extended their use of proper management of agrotoxins. 90% of producers recognize the toxicity of agrotoxins by their colors; 87% use the dosage shown on the labels, 85% use face masks, 86% use gloves and 75% wear overalls. Only 2% of producers used red label agrotoxins.
- 138 farmers (93%) increased their knowledge of the proper management of agrotoxin containers. 93% of producers store agrotoxin containers adequately.
- 136 farmers (92%) know how to dispose of domestic waste. 93% of producers keep organic waste separate from inorganic waste and 96% adequately separate toxic waste (batteries and agrotoxin containers) and keep them away from water sources.

### Organizational and commercial management component:

- 122 farmers (82%) have adequate knowledge of organizational and commercial management. 44% of producers sell their produce jointly, 76% know and visit their customers, 60% take part in local, regional and national fairs and 23% of producers have entered into commercial agreements.
- 119 farmers (80%) have adequate knowledge of transformation alternatives and generating added value to farm produce. 74% of producers know how to wash quinoa, 43% understand the pearling process for quinoa and 59% of producers are aware of how to make quinoa flour.
- 119 farmers (80%) have adequate knowledge of search techniques for market and price information. 84% of producers know and negotiate with intermediaries and 24% know and negotiate with companies.



Se desarrollaron conocimientos y capacidades para evitar la erosión de los suelos, conservar el medio ambiente y para el uso racional del recurso agua/suelo.





- 23 producers took part in the following eight commercial fairs: Patibamba fair – in San Miguel: San Miguel fair (2015 and 2016), “From the Field to the Pot” fair promoted by the Ministry of Agriculture; “World Food Day” fair promoted by the FAO; Canaán fair organized by the Regional Government of Ayacucho; and the Trout and Guinea Pig Fair in Vinchos. In Lima they took part in the “Mistura 2016” International Gastronomy Fair. These producers obtained the following results:
  - They identified potential suppliers and purchasers at the local, regional and national levels.
  - They learned about public opinion of the quality, presentation and prices of their produce.
  - They learned negotiating techniques and analysis of the competition.
  - They generated economic opportunities with the sale of high-quality products.
  - Different sales strategies have been developed depending on the market (local, regional, national).
  - The importance of taking part in fairs has been recognized.





Finally, a summary of the Allin Minkay was released on completion of the project in 2016:

**Production of marketable crops (cereals, tubers and legumes):**

- Living conditions of families have been improved.
- All members of the family have become involved in the work of growing and selling the produce, especially the women.
- Temporary jobs were created during production.
- Permanent jobs were also created.
- Skills and technical, productive and sales abilities were developed among producers.
- A wider range of commercial crops were grown.

**Improvements and modernization of the irrigation systems resulted in:**

- Reduced risks to production (secure harvests).
- Better knowledge and skills for preventing soil erosion, preserving the environment and rational use of water / land.
- Double harvests introduced (major and minor).
- Rational use of water optimized. Water distributed equitably among members of the family group, resulting in equality of rights and obligations, limits to areas irrigated and conservation of the resource.
- Increased efficiency of irrigation in all components of the system.
- Increased land area under irrigation. Increased confidence and credibility among users, regarding the effectiveness of the irrigation systems and their ease of operation.
- The number of man hours invested in irrigation has been reduced.
- Produce available in seasons when supply is reduced and prices are high.

**As far as technical assistance and training in crop management, pasture and irrigation systems is concerned, the following results were obtained:**

- Improvement in the level of technical knowledge of production and commerce among farmers.
- Participation in local, district and regional markets under better conditions and with better quality produce.
- Cohesion among water users in administration of the resource.
- Group and family cohesion for collective labor.





### **Mi Chacra Emprendedora – Haku Wiñay, implementation of farming technologies**

In October 2014 an agreement was signed between PERU LNG and FONCODES (Cooperation Fund for Social development), under which PERU LNG would finance 100% of the Mi Chacra Emprendedora - Haku Miñay project in its direct areas of influence.

The purpose of the project is to develop productive skills and rural entrepreneurship among 282 families in the villages of Hatunpallcca, Totorá, Anchiway Sierra, Osqoqocha, Qollpa, Allpacorral, Pampanhuaylla, Cochás and Putacca in the districts of Anco and San Miguel, province of La Mar, Ayacucho region.

The project ended on 3rd December 2016 and, at the request of FONCODES, an addendum was signed extending the period to September 2017 in order to complete the activities detailed in the technical dossiers.

As at the close of 2016 the project had achieved the following results:

- 174 families completed implementation of their irrigation systems.
- 248 families had made 101.49% progress in implementing their organic smallholdings.
- 173 families had made 70% progress in planting Andean crops (cereals and tubers).
- 265 families made use of 100% of their pasture and forage.
- 268 families use 100% organic manure for their crops.
- 243 families made 80% progress in the provision of small animals and poultry.
- 179 families had made 87% progress in the implementation of commercial forestry.
- 280 families had made 95% progress in the use of clean stoves.
- 282 families had made 99% progress in the installation of safe water in their homes.



### III. Improvements in reading comprehension



The “Leer es Estar Adelante” (Reading is Getting Ahead) project began in 2014 as part of an alliance with the BBVA Banco Continental Foundation. The purpose of the program is to improve reading comprehension of students in the third, fourth, fifth and sixth grades of public primary schools. In 2016, the program was implemented in 24 public schools in Huamanga and La Mar in Ayacucho region and six schools in Huaytara, Huancavelica. In total, the project involved 1,429 students in 30 public schools.

The following activities were carried out in 2016:

#### Provision of educational materials

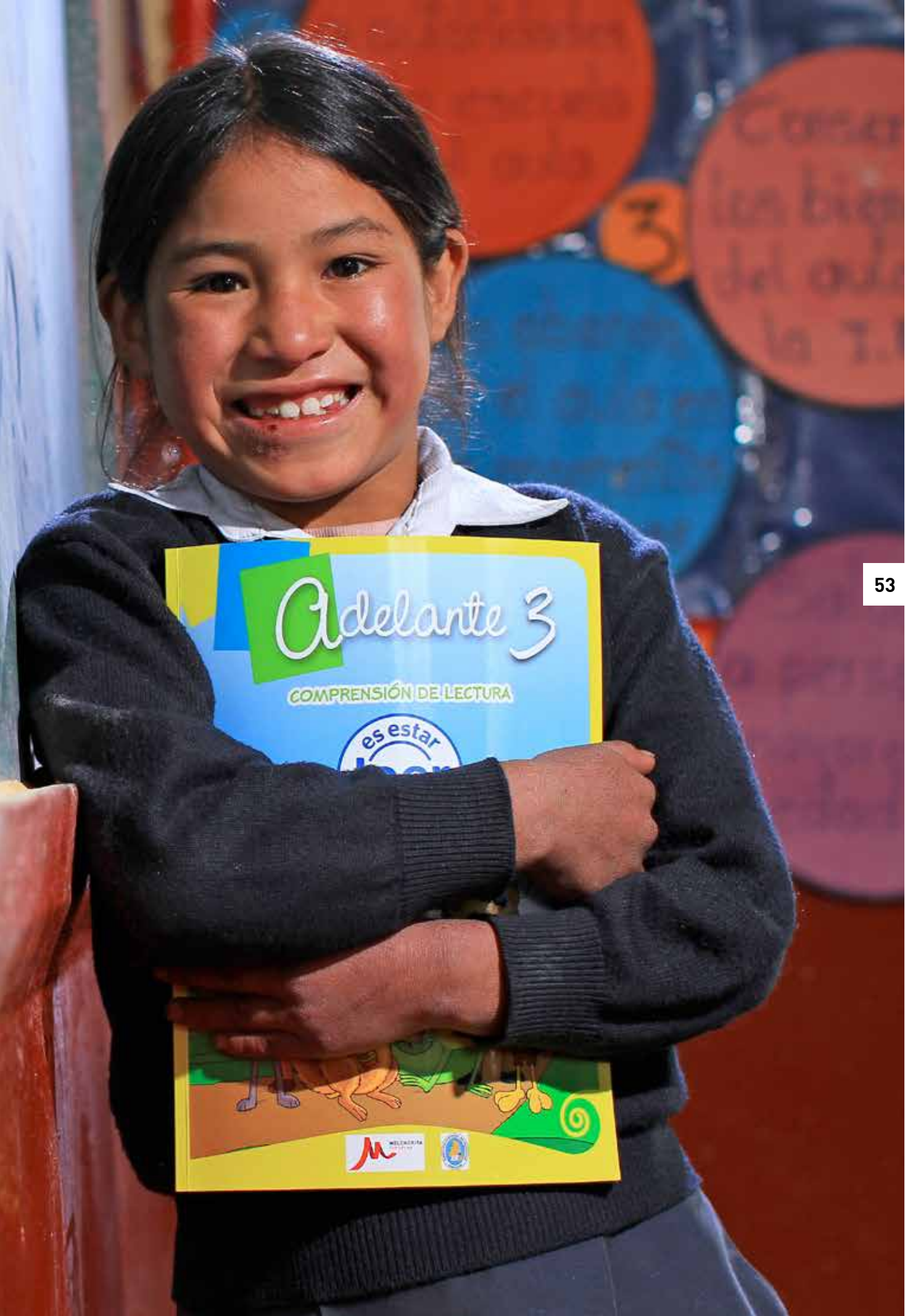
Teaching guides and reading comprehension practice books provided for pupils. The contents of these books use local information to encourage diversification of the curriculum, taking into account the context of Peruvian public schools. During 2016 educational materials were provided to 98 teachers and 1,429 pupils of the participating schools.

#### Training and accompaniment

Three training days were organized for teachers and 392 class visits (four per teacher) to obtain feedback on implementation of the methodologies developed, in order to strengthen their skills in teaching reading comprehension.



In 2016, the program was implemented in 24 public schools in Huamanga and La Mar in Ayacucho region and six schools in Huaytara, Huancavelica.







## Measurement of the effectiveness of the program in the participating school population

Evaluations were carried out to measure the progress of pupils at different times (entry, intermediate and leaving) using the ECE student evaluation method. The results were shared with the Ministry of Education's Education Quality Measuring Unit and other departments making policy and research decisions concerning education. This evaluation was carried out in November 2016 and the results will be published in February 2017 before the start of the new school year.

## Institutionalization

Arrangements were made with different parts of the education sector to ensure participation by public and/or private bodies, thus establishing synergies that help to achieve the aims of the program.





**30 schools  
adopted the  
project as one of  
their regular lines  
of work**

55

The following results were achieved:

- 1,429 students improved their level of reading comprehension.
- 30 schools adopted the project as one of their regular lines of work.
- 98 teachers participating in the project applied the methodology and used their materials to implement a strategy of classroom support for teachers.
- Reading comprehension textbooks on regional subjects were provided to students in the third, fourth, fifth and sixth grades of primary education in Ayacucho and Huancavelica regions, which were used in the classroom.
- Teaching guides were distributed and used by teachers.
- Two reading comprehension textbooks were produced for primary school students and teachers (fifth and sixth grades) in Huancavelica region.



#### iv. Training in artisanal fishing

PERU LNG has had a cooperation agreement with the National Fishing Development Fund (FONDEPES), a dependency of the Ministry of Production, since October 2013, aimed at implementing a training program of four courses at its premises in Paita. The aim of the training courses is to encourage formalization and to strengthen the skills of artisanal fishermen in the area of influence of PERU LNG.







Each course lasts two weeks and takes the form of an internship at the installations of FONDEPES in Paita, where participants receive educational material and fishing gear for the practical exercises. The training includes theory and practice of fishing techniques. After passing the course they are given a credential issued by the Peruvian Navy, accrediting them as artisanal fishermen. This credential enables them to apply for formal

positions in the fishing sector and to gain access to sources of financing arranged by FONDEPES to acquire other equipment that will improve their work.

Training courses held in 2016 enabled FONDEPES to certify 95 fishermen from Chincha and Cañete, who obtained their credentials as artisanal fishermen from the Peruvian Navy.



## v. Driver license training program



The driving license training program is designed to improve skills and personal abilities in order to diversify the job choices of artisanal fishermen, thus helping to improve the socio-economic conditions of their families. The program consists of instruction and compliance with the requirements, tests and other procedures of the Ministry of Transport and Communications and the Regional Government of Ica, enabling students to sit the examination for category A1 and A2 driving licenses with an optimal level of instruction and practice.

The training is given in two modules:

### The theoretical module: consisting of 45 hours of teaching on the following subjects:

- Peruvian traffic regulations.
- Driving techniques.
- Motor vehicle maintenance
- First aid and what to do in the event of an accident.
- Basic vehicle mechanics.
- Psychology and behavior toward passengers.

Participants who pass the theoretical module receive a professional driver certificate issued by the Ministry of Transport and Communications.

### Practical module

Personalized training for a total of 60 hours on a practice track that is similar to the official vehicle test circuit.



Participants who have completed the two modules are ready to take the driving test.

The program has enabled beneficiaries to:

- Take new jobs as drivers on municipal services.
- Obtain financing to acquire or lease vehicles for use as taxis.
- Join or create taxi companies.
- This provides an alternative to artisanal fishing when it is affected by adverse weather.
- Improve their chances of employment in technical positions.

The program, which has enabled PERU LNG to interact with other actors and public bodies, had 180 participants. (See table.)

2016 Edition	A1		A2a	
	Participants	Passed	Participants	Passed
V – Cañete (65)	5	5	65	51
VI – Chincha (110)	100	In progress	10	In progress





## vi. PERU LNG Academic Excellence Scholarship Training Program

The PERU LNG Academic Excellence Scholarship training program pays for studies and academic investment in professional technical courses at the PROSIP Condoray Institute, a technical training center that encourages the human, social and spiritual development of women and, through them, families and society at large.

**In 2016 the program awarded five scholarships, three in the accountancy and two courses in executive secretary.**







## f. Health, safety and the environment

PERU LNG has developed and applies a set of practices and requirements on all its sites aimed at protecting its contractors, consultants and visitors, as well as guaranteeing the safety and occupational health of its employees. It ensures the preservation of the environment and prevents impacts on communities in the direct area of influence of the gas pipeline, the liquefaction plant and the port facility.

In line with its policy of responsibility and commitment to conservation of the environment and natural resources,

PERU LNG carries out its activities to the highest industry standards and guarantees strict compliance with Peruvian and international legislation. This is shown by the ISO 14001 and OHSAS 18001 certification of its Integrated Management System (IMS), awarded in November 2013 and further certification in November 2016, which are validated annually by external audits performed by TÜV Rheinland, a world leader in technical services, which guarantees compliance with the inspection standards applicable to products, processes and services.



This is how we verify that the environmental and safety management systems are properly implemented throughout PERU LNG's operations from KP 0 (the starting point) of the gas pipeline at Chiquintirca to the LNG plant and the port facility.

The scope of the certification covers all activities, processes and premises of PERU LNG, including the offices. The IMS is designed to create safe working conditions for employees and contractors of PERU LNG and, furthermore, to establish a commitment to serve as social and environmental guardians for the communities in which it operates.



**The Integrated Management System is designed to create safe working conditions for employees and contractors of PERU LNG**



## I. Environmental management in the plant



### Environmental and safety standard assurance inspections

To guarantee compliance with quality, occupational safety and environmental protection standards, during 2016 the PERU LNG plant installations were inspected 42 times, producing 352 observations contributing to the process of continual improvement.

### Environmental authority audits of the plant

Audits by environmental authorities helped to maintain high operational standards. In 2016 the Organismo de Evaluación y Fiscalización Ambiental (Environmental Evaluation and Monitoring Organization - OEFA) carried out two audits and the Autoridad Nacional del Agua (National Water Authority - ANA) carried out one audit. There were no observations.





## Responsible water management

PERU LNG does not use water from rivers or local wells and does not generate impacts on water sources in the zone. It creates potable water from seawater using a reverse osmosis plant. It thus reduces any possible effect on the environment to a minimum.

With this sustainable management of water resources, PERU LNG carries out its activities in harmony with the environment and those living in its direct area of influence.

The environmental impact assessment describes the Peruvian and international water use standards applicable to the plant, camps and offices. All used water is subject to stringent treatment in the waste water treatment plant. Once treated, domestic waste water is not discharged into the sea but is re-used (55,326.50 m<sup>3</sup>) to irrigate parks and gardens and to control dust on the roads inside the plant.





**Guaranteeing compliance with the highest industry standards**

PERU LNG has a monitoring program for discharges and emissions and another program that monitors the environmental quality of receiving water bodies. Both environmental monitoring programs gather information on the effects that PERU LNG’s operations may have on the environment, as well as mitigating any environmental effects and preserving the nature of its areas of influence. The following tables give the results of two types of monitoring carried out in 2016.

Monitoring	Number of samples taken annually	Results
1 annual emissions sample: 8 chimneys	48	All meet the standards.
12 effluent samples: 4 monitoring points	876	All meet the standards.
69 vessels provided samples (water ballast)	276	All meet the standards.
3 environmental noise measurements: 10 monitoring points	60	All meet the standards.

Monitoring of discharges and emissions

65

Monitoring	Number of samples taken annually	Results
4 air quality samples, 5 monitoring points	420	All meet the standards.
4 samples of seawater plankton, 2 sampling points	8	No invasive or new species were found.
4 seawater quality samples, 40 sampling points	5704	The resulting values are similar to those reported in the environmental baselines of 2002 and 2006.
2 marine sediment samples, 14 monitoring points	700	The resulting values are similar to those reported in the environmental baselines of 2002 and 2006.

Environmental monitoring of receiving water bodies





In addition, two marine monitoring campaigns were carried out in which representatives of fishermen's associations and government authorities took part, as well as two surveys of the coastal morphology (8 km of beaches evaluated in each survey) and two geographical surveys.

### **Responsible waste management**

In 2016 PERU LNG won the America Maritime Award 2016 in the Environmentally Sustainable Management of Waste in Ports, awarded by the Inter-American Committee on Ports (CIP), a body of the Organization of American States (OAS). Planned action has reduced the quantity of waste produced per employee and increased the amount of waste per employee re-used and recycled.

Waste management (2,027 tons in 2016) gives priority to reduction, recycling and reuse. The production of compost from food waste reduced the quantity of waste carried to and disposed of in landfill sites and helped to improve integrated management and a hierarchy of sustainable management for solid waste. The compost obtained was used to fertilize the parks and gardens around the camps and plant offices.

Recycled waste included paper and cardboard, timber, plastic, metal and used oil.



## II. Environmental management of the gas pipeline



### Workplace inspections

The GIS is a system of inspections and internal audits to verify proper compliance with commitments and standards along the 408-km right of way, which includes work sites, surface installations, access roads, camps and other installations. The GIS, which covers aspects of occupational health, industrial safety, environmental management and community relations, also includes all activities involving the PERU LNG gas pipeline.

In 2016, 144 inspections were carried out and 56 opportunities for improvement noted, which were promptly addressed. The actions deriving from these opportunities for improvement are corrective and preventive, their aim is to guarantee that the risks and potential impacts of the operations are managed in a timely manner and in accordance with PERU LNG procedures and standards.







### **River monitoring**

The PERU LNG gas pipeline crosses several rivers. It is therefore important to monitor river crossings continually in the different seasons of the year. In 2016, 65 monitoring activities were carried out of 13 river crossings with right of way (RoW) in January, February, March and December (the rainy season) and in September (the dry season).

This work was done where the pipeline crosses the rivers Alfarpampa, Sachapampa, Torobamba, Altomayo, Yucay, Vinchos, Palmitos, Pampas, Leche Leche, Pisco, Matagente, Chico and Topará.

### **Noise monitoring at surface monitoring stations**

With a view to contributing to the preservation of the environ-

ment and respecting the obligations assumed in the environmental impact assessment for the gas pipeline, in April and October 2016 a noise monitoring campaign was implemented at 43 points in the 17 surface stations (14 main valves, one metering station, one pig trap / launcher and one pressure control station). This monitoring enabled us to confirm 100% compliance with noise standards.

### **Contractor audits**

To ensure that contractors' performance in health, safety and environmental matters is in accordance with PERU LNG standards and procedures, continual audits and inspections are carried out at all sites. This enables us to identify, promptly, conditions and practices that contractors must improve.



In 2016, compliance audits were performed on contractors Pro Naturaleza, COGA, Securitas and RCP, and we implemented an integrated indicator of contractors' health, safety and environment performance with a view to encouraging best practice and continual improvement and to ensure compliance with the standards and procedures set out in PERU LNG's IMS.

### **OEFA audits**

During 2016 the gas pipeline installations were audited three times by the Environmental Evaluation and Monitoring Authority (OEFA). No observations resulted from these audits.

### **Participatory Socio-Environmental Monitoring Program (PMSAP)**

The Participatory Socio-Environmental Monitoring Program (PMSAP) guarantees active participation by the communities and settlements in PERU LNG's direct area of influence. The communities nominate their own representatives (monitors), who are responsible for supervising and monitoring possible social and environmental impacts arising from the operation of the gas pipeline. If the monitors find anything, they are recorded and reported to their communities and to the company. When PERU LNG receives such reports, it analyzes them and takes prompt corrective action, thus enabling its operations to continually improve.

Ten evaluations in the field were carried out in 2016 and 40 findings reported. 22 findings (18 from 2016, 3 remaining from 2015 and 1 from 2014) were signed off appropriately, while 35 findings categorized by the PMSAP as 'observations,' require attention in the first quarter of 2017.

The results of the PMSAP and making good the findings and observations can be seen in detail on the program's website ([www.pmsap.pe](http://www.pmsap.pe)).





## Bio-restoration

The purpose of the bio-restoration work is to restore areas affected by the construction of the gas pipeline. The 2016 bio-restoration campaign addressed 28.8 km of the RoW and included the transfer of native species, soil improvement and manuring. It has thus improved the state and condition of the vegetation.





**Contractor training**

Contractor training is an important activity for transmitting basic knowledge of environmental management and guaranteeing compliance with PERU LNG’s standards. During 2016 contractors’ staff received training in the subjects shown in the following table.

Management of solid waste, fuel and chemical products	Use of water for construction / maintenance	Cultural heritage protection policy
Hydrocarbon spillages and the response to them	Effluent management	Bio-restoration
Spillage retention equipment	Dust control	Erosion control and rehabilitation of soils
Environmental incident reports	Prevention of contamination and environmental commitments	Topsoil management
Environmental inspections	Maintenance and emissions from equipment and vehicles	Environmental aspects and impacts of the pipeline

**Contractor training is an important activity for transmitting basic knowledge**



### III. Biodiversity Monitoring and Assessment Program (BMAP)



This program was conceived by PERU LNG together with the Center for Conservation, Education and Sustainability (CCSE) of the Smithsonian Conservation Biology Institute (SCBI), with the aim of preserving biodiversity during project construction and the operation of the gas pipeline, the plant and the port facility.

The BMAP uses biological evaluations and monitoring to determine the condition of species, their habitats and changes over time. This information was used to draw up guidelines so that PERU LNG can take decisions that help to mitigate any impact on biodiversity.







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In 2016 a number of monitoring campaigns were implemented in accordance with the annual plan in the BMAP, which includes monitoring of the following research protocols:

- Vegetation of wetlands
- Bio-restoration of pasture
- Small mammals
- Marine benthos
- Sea fish
- Sea birds

Furthermore, as a result of the BMAP monitoring and investigation work, a new species of Andean frog was discovered at 3,900 meters above sea level in a tributary of the River Pisco, a few kilometers from Huaytará, Huancavelica. Dr. Alessandro Catenazzi from Southern Illinois University Carbondale was in charge of the research, assisted by Peruvian specialists such as biologist Víctor Vargas from San Cristobal State University, Huamanga, joint author of the description of this new species.

This new species of Andean frog is unique: yellow with an orange underbelly when adult. That is why it has been given the name *Telmatobius ventriflavum*, from the Latin *ventrum*, meaning belly, and *flavus* meaning yellow.

The results of the BMAP can be seen in detail on the program's website ([www.bmap.pe](http://www.bmap.pe)).





## Relationship with institutions on environmental matters



In 2016, PERU LNG entered into an agreement with the Ministry of the Environment to review and publish a good practices guide for the restoration of Andean ecosystems. The guide will be completed in 2017.

The company also entered into a two-year agreement with the Peruvian Institute of the Sea (Instituto del Mar del Peru – IMARPE) aimed at calibrating and validating use of a marine biotic index - AMBI on the central and southern coast of Peru.

Similarly, within the framework of an agreement with San Cristobal State University, Huamanga (UNSCH), 2016 saw a continuation of the cycle of conferences on managing biodiversity. A total of 154 people attended 15 hours of lectures. The UNSCH awarded certificates, which mentioned the support and commitment of PERU LNG.

The pipeline, plant and port facility were visited by representatives of the Ministry of the Environment, SENACE, SERNAMP and OEFA, as well as by representatives of environment ministries of Bolivia and Ecuador, during an activity promoted by the NGO Sociedad para la Conservación de Vida Salvaje, in order to see firsthand the good biodiversity management and environmental practices embraced by PERU LNG.



## v. Occupational health and industrial hygiene

### Industrial hygiene program

In accordance with the Hygiene Monitoring Master Plan 2015 – 2017, in 2016 we continued to monitor exposure to occupational hazards, as shown in the following table.

Occupational hazard	Location	Total monitoring points / areas
<b>Chemical</b>		
Inhalable dust	Abrasive blasting zone	2
Metals	CPI pits, R1	3
Volatile organic components	CPI pits, R1, painting	3
<b>Physical</b>		
Electromagnetic radiation	CCR, LCR1, LCR3 and jetty head office	4
Noise (sonometry)	CCR, TLF area, LCR 1, LCR 3, jetty head office, bakery, gators	12
Noise (dosimetry)	Plant operators, electricians, instrument technicians, mechanics.	6
Vibration	Gators	4
Lighting	Lima and plant	16



### **Biological agents**

- Potable water: the obligatory control parameters were monitored on a daily basis, with monthly monitoring of the additional parameters applicable to the quality of water from the reverse osmosis plant and to potable water treatment.
- Mess rooms: an accredited external laboratory carried out monthly monitoring of biological agents on inert surfaces and the hands of people working with food prepared in the plant.

PERU LNG's risk management requires that monitoring results be reported to the departments involved and to the employees in order to raise their awareness of exposure and, where relevant, the control, verification and follow-up measures applicable, as part of the continual improvement process.

### **Occupational health control & vigilance program**

PERU LNG uses the following tools to monitor the health of its own employees and those of contractors:

- Occupational medical examinations: 238 regular occupational medical examinations were performed in 2016 on plant and pipeline operations personnel, together with examinations of new employees and retirees and those generated by job changes and employees rejoining the workforce, in accordance with Peruvian law. No occupational illnesses were reported during this year. The results of the occupational medical examinations are reported in confidence to the employees.

- Medical examinations of those rejoining the workforce: these are carried out at the plant medical center on those rejoining the workforce after prolonged sick leave, illness or accidents that may have affected their job performance.
- Health control and vigilance of contractors and visitors: PERU LNG uses legally required occupational health certificates (CAMO) to ensure that its contractors are monitoring the health of their employees and that they meet PERU LNG's medical standards for those working in its installations. 3,373 CAMOs were verified in 2016 for personnel working in the plant and on the pipeline. As far as visitors are concerned, 2,060 health declarations were verified in order to monitor risks to health during visits to the company's installations.
- Time lost through illness: every month checks are carried out on workforce absenteeism in order to produce an epidemiological indicator of employee health, which can be used to design intervention programs for at-risk groups to prevent illness and injury and reduce the rate of absenteeism.
- Medical treatment: PERU LNG has a medical center at the plant to treat urgent cases and emergencies affecting employees, contractors and visitors. In 2016, medical treatment was given 1,422 times.



### **Illness prevention programs**

The following programs and activities were carried out in 2016, aimed at maintaining and improving working conditions and preventing and monitoring risks to employees' health:

- Respiratory protection program: To protect employees from the risk of particle inhalation by the correct use of personal protective equipment. Adjustment tests are carried out at the medical center on those employees and contractors who are required to wear hermetic respirators. 123 respiratory function and adjustment tests were carried out in 2016: 109 employees passed (LNG: 11; contractors: 98).
- Sun protection program: Started in December 2015 and carried on throughout 2016. The program included dermatology examinations for plant and pipeline employees, the provision of sunblock dispensers for employees and visitors to the plant offices, Ayacucho and in vehicles traversing the route of the pipeline. Information has also been provided in the form of notices displayed in areas of strong sunshine.
- Influenza vaccination campaign: During April, May and June 2016, 175 Lima, plant and pipeline employees were vaccinated against influenza, having voluntarily requested vaccination.
- Health and welfare program, which includes:
  - A nutrition program: Nutrition consultations in the plant, Ayacucho and Lima offices. During these consultations employees are evaluated and given information and recommendations on healthy living (a balanced diet and exercise). In 2016, 315 employees made use of these consultations (Lima: 116; plant: 134; pipeline: 65) and 65% of them lost weight. Talks were also given on nutrition to employees of the three areas.
  - Anti-stress massage campaign: Short massage sessions were given in the Lima offices to reduce muscle tension and prevent stress. Four campaigns were held in 2016, with a total of 176 attendees.





## g. Communications

The Corporate Affairs and Communications Department organized the following events and campaigns aimed at strengthening relationships between PERU LNG, the local population and their authorities, especially in areas adjacent to the gas pipeline and PERU LNG's plant:



## I. Cultural conference cycle



March 2016 saw the start of a cycle of conferences entitled, “The family in the Internet era,” given by renowned psychologist Roberto Lerner, who visited the cities of Chinchá, Cañete and Ayacucho. He gave examples from daily life and useful advice on ensuring that the use of information technologies contributes to family harmony.

Lerner shared with dozens of parents his experiences as a psychologist of the growing presence of the Internet in people’s lives: a powerful tool able to influence family relationships.

Furthermore, as part of the celebrations for the Day of the Child, four shows were organized, attended by 3,000 children and adults from Chinchá, Cañete and Huamanga in Ayacucho. The main attraction of each one was an interactive children’s theater entertainment called “The Magic Chest,” in which children took part suggesting stories, characters and situations and even acting alongside the cast.

PERU LNG uses these conferences to promote debate and reflection on subjects of interest to the community. The ideas and proposals contribute to personal and local welfare and development.



## II. Night of the Entrepreneurs



Six events for entrepreneurs were held in 2016, attended by more than 2,100 people, in the cities of Chincha, Cañete and Huamanga in Ayacucho. Local entrepreneurs were motivated by practical advice and real-life examples.

These events, which used a novel format, were held in two stages, one in August and September and the other in November and December. The first was entitled “The Recipe for your Success” and leading business experts gave talks and free advice on marketing, finance and client service. The second group of events, which was entitled “The SME Doctors,” emphasized the characteristics needed by entrepreneurs to make a go of their business ideas.





## h. Strengthening Peruvian Talent

By training new leaders, PERU LNG promotes the creation and strengthening of skills among talented young people. Within this framework an agreement was entered into with the National Engineering University (UNI) by which an annual PERU LNG scholarship will be awarded with financial assistance for young students to continue their professional training in internationally recognized academic institutions.

2016 was the fifth year of the program and Renato Martin Bisso Pérez Paredes, an alumnus of the UNI, was chosen to study for a year at the University of Oklahoma (USA), one of the world's premier institutions in the fields of gas and oil. When he finishes his course, Renato will be able to carry out his pre-graduation work experience at PERU LNG and then to join the company. Meanwhile, scholarship student Bryan Kevin Aylas Paredes, who studied there in 2015 and 2016, returned and is now one of PERU LNG's plant operators.

The evaluation process is backed by the Commission for Student Exchanges between Peru and the United States of America (the Fulbright Commission).

## i. Volunteer Service

During 2016, the Melchorita Voluntary Scheme, consisting of employees from different departments and sites, continued to help the Hogar de las Bienaventuranzas home, led by Father Omar Sánchez. The home takes in babies, children, adolescents and adults who have been abandoned and provides a better quality of life, meals, somewhere to live and medical services.

In order to obtain the funds necessary to pay the monthly fees of a doctor and nurse, the volunteers worked to promote solidarity, such as selling cakes in Lima offices and the plant, and organizing a raffle with prizes donated by the employees themselves.

Volunteers and employees of the company visited the home to carry out support activities, such as painting and maintenance. They also cleaned the home and shared some enjoyable moments with the children living there.

At Christmas they made an "Angel's Tree," consisting of cards hung on Christmas trees in the Lima offices, plant and in Ayacucho, with suggestions for donations and presents for the members of Hogar de Bienaventuranzas.



# 7. Financial Information

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The financial information on PERU LNG given below was obtained from the audited financial statements of PERU LNG and their respective explanatory notes.

The financial statements of PERU LNG for fiscal years ending on 31st December 2016 and 2015 were audited by Caipo y Asociados Sociedad Civil, a member firm of KPMG International.

PERU LNG's financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS). The summary should be read together with the audited financial statements and accompanying notes. It will be entirely referenced to the financial statements.



## Financial position

As of the 31st of December 2016 & 2015

(Expressed in thousands of United States dollars)

	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	206,159	101,300
Other financial assets	175,451	188,334
Accounts receivable - VAT	14,345	22,309
Other accounts receivable	2,123	2,023
Accounts receivable from non-arms-length entities	40,885	27,052
Inventories	16,095	14,789
Other non-financial assets	11,343	10,023
	-----	-----
<b>Total current assets</b>	<b>466,401</b>	<b>365,830</b>
	-----	-----
<b>Non-current assets</b>		
Real estate, plant and equipment, net	2,495,605	2,636,573
Assets arising from deferred taxes	25,868	408
Current part of other non-financial assets	7,951	4,751
	-----	-----
<b>Total non-current assets</b>	<b>2,529,424</b>	<b>2,641,732</b>
	-----	-----
<b>Total assets</b>	<b>2,995,825</b>	<b>3,007,562</b>
	=====	=====

	2016	2015
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade accounts payable	89,507	42,931
Other accounts payable	20,132	5,949
Accounts payable to non-arms-length entities	6,982	7,908
Other financial liabilities	179,746	181,381
	-----	-----
<b>Total current liabilities</b>	<b>296,367</b>	<b>238,169</b>
	-----	-----
<b>Non-current liabilities</b>		
Other financial liabilities	1,217,840	1,386,131
Accounts payable to non-arms-length entities	110,000	44,660
	-----	-----
<b>Total non-current liabilities</b>	<b>1,327,840</b>	<b>1,430,791</b>
	-----	-----
<b>Total liabilities</b>	<b>1,624,207</b>	<b>1,668,960</b>
	-----	-----
<b>Equity</b>		
Capital issued	1,461,435	1,401,435
Other equity reserves	(29,668)	(44,205)
Accumulated loss	(60,149)	(18,628)
	-----	-----
<b>Total equity</b>	<b>1,371,618</b>	<b>1,338,602</b>
	-----	-----
<b>Total liabilities and equity</b>	<b>2,995,825</b>	<b>3,007,562</b>
	=====	=====



## Results

For the periods ending on 31st December 2016 and 2015  
(Expressed in thousands of United States dollars)

	As of the 31 <sup>st</sup> of December	
	2016	2015
Earnings from ordinary activities	500,962	515,855
Sales cost	(432,172)	(461,921)
<b>Gross profit</b>	<b>68,790</b>	<b>53,934</b>
Sales and distribution costs	(25,221)	(25,390)
Management costs	(28,801)	(35,818)
Other operating income	50	39
Financial income	1,593	360
Financial expenses	(71,577)	(77,334)
Exchange rate differences, net	(1,469)	(273)
<b>Earnings before income tax</b>	<b>(56,635)</b>	<b>(84,482)</b>
Income tax	15,114	22,081
<b>Net (loss for the fiscal year)</b>	<b>(41,521)</b>	<b>(62,401)</b>

## Main financial indicators

	As of the 31 <sup>st</sup> of December	
	2016	2015
<b>Liquidity indices</b>		
Liquidity	1.57x	1.54x
Available assets / current liabilities ratio test	1.54x	1.49x
<b>Management indices</b>		
Gross profit margin	14%	10%
Operating margin	3%	-1%
<b>Solvency indices</b>		
Liabilities / equity	1.02x	1.17x
Non-current debt / capital ratio	0.44x	0.49x
Non-current liabilities / net equity	0.82x	1.00x
<b>Profitability indices</b>		
Return on capital	-3.0%	-4.7%
Return on sales	-8.3%	-12.1%



## a. Management analysis and discussion

The following management analysis and discussion of the issuer's financial position and results should be read together with the issuer's financial statements and accompanying notes. The financial statements have been drawn up in accordance with IFRS.

### FOR THE PERIODS ENDING ON 31ST DECEMBER 2016 AND 2015 (AMOUNTS EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

#### Results

##### Income

Income as of December 2016 amounted to US\$500.96 million. These mainly represent LNG sales to Shell International Trading Middle East Limited (SITME), as a result of 70 export shipments in fiscal year 2016. Despite a higher number of shipments than in fiscal year 2015 (56 shipments), earnings as of December 2016 fell by US\$14.9 million, 3% less than December 2015. This reduction is due principally to a reduction in the HH and NBP price benchmarks comparing the reference value invoiced in the period January to December of 2016 and 2015.

##### Sales cost

The cost of sales for the period January to December 2016 amounted to US\$432 million, corresponding to the manufacturing cost of LNG sold during the period. It fell 6% compared with December 2015, the result of a reduction in the unit cost, which is directly related to the lower HH and NBP benchmark prices.

The cost of sales is made up of a variation in finished products at US\$(0.5) million (-0.1% of the total), natural gas purchases and inputs used in production at US\$228.9 million (53.0% of the total), depreciation at US\$128.4 million (29.7% of the total), operator services at US\$29.2 million (6.7%) and other indirect costs at US\$46.2 million (10.7% of the total).

##### Administrative expenditure

Administration costs for the period January to December 2016 fell by 20% compared with the same period in fiscal year 2015 to reach US\$28.8 million, US\$7.0 million less than in 2015 (US\$35.8 million). This reduction resulted principally by 'other costs.' which amounted to US\$1.2 million as of December 2016, whilst at the close of 2015 the figure was US\$7.0 million, due principally to a payment to contractor Wood on completion of a services agreement.



### Financial expenses

Financial expenses fell by 7% as of December 2016 (US\$71.6 million) compared with the same period in 2015 (US\$77.3 million), due mainly to a reduction in interest paid on senior debt, local bonds and swaps for repayments made.

### Net results

At the close of December 2016, the loss before income tax was US\$56.6 million, a figure US\$27.8 million less than in fiscal year 2015, when the loss was 84,5 million. This fall was caused principally by lower sales costs recorded at the close of December 2016. Income from income tax as of 31st December 2016 had a US\$15.1 million impact on the net results and reduced the net loss for the fiscal year to US\$41.5 million, whilst in December 2015 it was US\$62.4 million. Furthermore, EBITDA as of December 2016 was US\$161.7 million, a figure US\$25.4 million more than in December 2015, when the EBITDA was US\$136.3 million.

### Statement of financial position

Current assets at the end of fiscal year 2016 amounted to US\$466.4 million, 27.5% more than at the close of 2015 (US\$365.8 million),

the result of an increase in the cash and cash equivalents accounts, accounts receivable from non-arms-length entities, inventories and other non-financial assets. The main items include:

(i) Cash and cash equivalents of US\$206.2 million, deriving from payments by Shell International Trading Middle East (SITME) for sales of liquefied natural gas (LNG) during the fiscal year, held in overnight deposits and freely available current accounts.

(ii) Other financial assets amounting to US\$175.5 million from the statutory reserve accounts. In accordance with the provisions of the finance agreements, these accounts were established to pay short-term financial obligations and third parties. One of the main reserve accounts is the debt service reserve, which contains the total debt repayment (capital plus interest) due on the following payment date. It should be remembered that debt payments are made every six months, in May and November of each year, since May 2011. Other reserve accounts are the debt servicing account, to which a monthly amount equivalent to 1/6 of total debt payable on the next payment date is transferred, the reserve maintenance account and the reserve account for payments to TGP.



(iii) Accounts receivable – VAT, which fell from US\$22.3 million at the close of 2015 to US\$14.3 million at the close of fiscal year 2016, because of reimbursement of VAT accumulated at the close of fiscal year 2015.

(iv) Accounts receivable from non-arms-length entities, which includes accounts receivable from SITME amounting to US\$40.9 million at the close of December 2016; that is 51.1% more than at the close of 2015.

(v) The inventories account, which amounted to US\$16.1 million at the close of fiscal year 2016. This account consists principally of spare parts (58%) and liquefied natural gas (29%).

The balance of total assets amounted to US\$2,996 million at end of 2016. The principal account is the net property, plant and equipment account, which amounted to US\$2,496 million, US\$141.0 million less than at the close of 2015, due to the net effect of an increase in accumulated depreciation as of December 2016 and additions during the year.

Current liabilities, the balance of which at the close of 2016 was US\$296.4 million, increased by US\$58.1 million in comparison with 2015, in which the balance was US\$238.2 million. Current liabilities are made up principally of trade accounts payable, which showed an increase of US\$46.2 million to reach US\$89.2 million; other accounts payable, which showed an increase of US\$14.2 million to reach US\$20.1 million, explained principally by the amount of taxes payable; and other financial liabilities, which fell by US\$1.6 million to US\$179.7 million at the close of December 2016.

Total liabilities fell by US\$44.8 million (2.7%) from US\$1,669 million at the end of fiscal year 2015 to US\$1,624 million at the end of December 2016, due principally to a reduction in other financial liabilities deriving from the repayment of senior debt and local bonds during 2016. This was partially offset by the accounts payable to non-arms-length entities, which increased by US\$65.3 million compared with the close of fiscal year 2015, to US\$110.0 million at the close of December 2016, as a result of an increase in the limit in the “Quarterly Payment” clause in the third addendum to the LNG Sale Agreement entered into by PERU LNG and Shell International Middle East Limited (SITME) on 29th April 2016.



Finally, total equity showed a balance of US\$1,372 million at the close of December 2016, which represents an increase of US\$33.0 million compared with the end of fiscal year 2015, when the figure was US\$1,339 million. The accumulated loss account showed an increase of US\$41.5 million, rising from an accumulated loss of US\$18.6 million at the end of fiscal year 2015 to US\$60.1 million at the close of fiscal year 2016. Furthermore, the loss of other equity reserves arising from unrealized interest rate swaps fell by US\$14.5 million, thus reducing the accumulated loss from US\$44.2 million at the close of fiscal year 2015 to US\$29.7 million by the close of December 2016.

Capital issued increased by US\$60 million compared with the close of fiscal year 2015, to a total of US\$1,461 million at the close December 2016, the result of increases in capital through the capitalization of new cash contributions approved at general meetings of shareholders on 13th May 2016 and 5th August 2016, each approving a US\$30 million increase.

#### **Changes in those responsible for drawing up and revising financial information**

No changes have been made during the last two fiscal years (2016 and 2015) in the personnel responsible for preparing and reviewing the financial information of PERU LNG.



# 8. Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies

Trading name	PERU LNG S.R.L.
Fiscal year	2016
Website	<a href="http://www.perulng.com">www.perulng.com</a>
Name or trading name of the reviewing company <sup>1</sup>	
RPJ	OE 4139

<sup>1</sup> Only applicable if the information contained in this report has been checked by a specialist company (for example: auditing company or consultant).



	Complete		Complete
<b>PILLAR I: Shareholders' rights</b>			
Principle 1: Equal treatment	YES	Principle 17: Rights and duties of the directors	YES
Principle 2: Shareholdings	YES	Principle 18: Regulations concerning the board of directors	YES
Principle 3: No dilution of shareholdings	YES	Principle 19: Independent directors	YES
Principle 4: Information and communications with shareholders	YES	Principle 20: Operability of the board of directors	YES
Principle 5: Participation in company dividends	YES	Principle 21: Special committees	YES
Principle 6: Change or taking control	YES	Principle 22: Code of ethics and conflicts of interest	YES
Principle 7: Arbitration for dispute settlement	YES	Principle 23: Operations with non-arm's-length parties	YES
		Principle 24: Functions of the senior management	YES
<b>PILLAR II: General meeting of shareholders</b>			
Principle 8: Function and competence	YES	<b>PILLAR IV: Risk and compliance</b>	
Principle 9: Regulations concerning general meetings of shareholders	YES	Principle 25: Risk management environment	YES
Principle 10: Mechanisms for calling meetings	YES	Principle 26: Internal auditing	YES
Principle 11: Proposed points on the agenda	YES	Principle 27: External auditors	YES
Principle 12: Voting procedures	YES	<b>PILLAR V: Information transparency</b>	
Principle 13: Delegation of votes	YES	Principle 28: Information policy	YES
Principle 14: Monitoring of agreements at the AGM	YES	Principle 29: Financial statements and annual report	
<b>PILLAR III: The board of directors and senior management</b>		Principle 30: Information on shareholdings and agreements between the shareholders	YES
Principle 15: Board of directors	YES	Principle 31: Corporate governance report	YES
Principle 16: Functions of the board of directors	YES	<b>SECTION C</b>	



PILLAR I: Shareholders’ rights

Principle 1: Equal treatment

Question I.1

	Yes	No	Explanation
Does the company give equal treatment to shareholders of the same class and maintain the equal conditions (*)?	X		

\*The same conditions means those that distinguish the shareholders or give them a common characteristic in their relationship with the company (institutional investors, non-controlling investors, etc.) It should be remembered that under no circumstances does this imply that the use of privileged information is allowed.

Question I.2

	Yes	No	Explanation
Does the company have only voting shares?	X		

a. With regard to the company’s capital, specify:

Paid up capital as at close of fiscal year	Paid up capital as at close of fiscal year	Total number of shares representing the capital	Number of shares with voting rights
US\$ 1,461’435,077	US\$ 1,461’435,077	1,461,435,077	1,461,435,077

b. If the company has more than one class of shares, specify:

Class	Number of shares	Nominal Value	Fees*

(\*) This field must indicate the particular rights of the class that distinguish it from the others.

Question I.3

	Yes	No	Explanation
If the company has investment shares, does it encourage a policy of redemption or voluntary exchange of investment shares for ordinary shares?			Not applicable



Principle 2: Shareholdings

Question I.4

	Yes	No	Explanation
a. Do the company documents establish the form in which the shares are represented and the person responsible for recording them in the share registry?		X	Not applicable. The company does not have a share register, given that it is incorporated as a limited liability corporation - S.R.L. Nevertheless shares in PERU LNG SRL are duly registered at the public records office.
b. Is the share register kept up to date?		X	Not applicable, idem previous comment. All changes relating to shareholdings are registered with the public records office.

Indicate how often the share registry is updated, after the company becomes aware of any change.

Frequency	Within forty eight hours	
	Weekly	
	Others / Details (in days)	Not applicable

Principle 3: No dilution of shareholdings

Question I.5

	Yes	No	Explanation
a. Does the company have a policy by which proposals from the board of directors regarding corporate operations that may affect the right of shareholders not to have their shareholdings diluted (i.e., through mergers, splitting, capital increases, among others) should be explained in advance by the board in a detailed report, including the independent opinion of an external adviser of recognized professional probity appointed by the board?.		X	Not applicable. Being a SRL, the company has shares.
b. Does the company have a policy by which the said reports are made available to the shareholders?		X	Not applicable

If during the fiscal year corporate operations have taken place that are covered by paragraph a) of question I.5, and the company has independent directors[\*], please say whether in all cases:

Did all of the independent directors vote in favor of the appointment of the external adviser?

yes	No



Did all of the independent directors clearly express their acceptance of the said report and give reasons, if applicable, for their disagreement?

--	--

(\*) The independent directors are chosen for their professional trajectory, honesty, sufficiency and economic independence and because they have no links with the company, its shareholders or its directors.

## Principle 4: Information and communications with shareholders

### Question I.6

	Yes	No	Explanation
Does the company determine those responsible or the media through which shareholders receive and request prompt, reliable and truthful information?	X		

a. Indicate the media by which the shareholders receive and/or request information from the company.

Means of communication	Receiving information	Requesting information
E-mail	X	X
By telephone	X	X
Corporate website		
By mail	X	X
Informative meetings	X	X
Others / Details	Directly in the company through weekly and monthly management reports.	

b. Does the company have a maximum period for answering requests for information from shareholders?

If so, what is this period:

Maximum period (days)

### Question I.7

	Yes	No	Explanation
Does the company have a mechanism by which the shareholders can express their opinions on its performance?	X		

If the answer is yes, describe the company's mechanisms for shareholders to express their opinions on its performance.

The mechanisms are established in the company by-laws.



Principle 5: Participation in company dividends

Question I.8

	Yes	No	Explanation
a. Is compliance with the dividends policy subject to evaluation from time to time?	X		
b. Are Are the shareholders informed of the dividend policy through the corporate website, among other means?		X	The information is made available to shareholders at general meetings of shareholders.

a. Describe the dividend policy of the company applicable to the fiscal year.

Date of approval	24/08/2009
Dividend policy (criteria for distribution of profits)	<div><div>(i)</div><div>Dividends may only be declared and paid as and when established by legislation. Dividends shall be paid from profits obtained or freely available reserves, provided that its net equity is not less than its paid-up capital or would become so as a result of the dividend payments.</div><div>(ii)</div><div>If freely available reserves or profits can be distributed in accordance with the provisions of (i) above, the company may declare and pay dividends. However, the declaration of dividends is subject to a decision by the general meeting of shareholders, which shall decide based on factors such as liquidity, debt levels, investments and other factors that it deems relevant at the time. Nevertheless, agreements adopted by the company shall under no circumstances imply any non-compliance with its financial obligations.</div><div>(iii)</div><div>The general meeting of shareholders may also agree to distribute interim dividends based on the criteria set forth in point (ii) above, while complying with the applicable legal requirements. It should be pointed out that the AGM held on the 14th of January 2016 approved the incorporation of certain changes to the dividend policy, and also ratified its terms and conditions.</div></div>

Indicate the dividends in cash and shares distributed by the company during the fiscal year and the previous fiscal year.

Per share	Dividends per share			
	Fiscal year covered by this report		Fiscal year prior to the year covered by this report	
	In cash	In shares	In cash	In shares
Class				
Class				
Investment shares				



Principle 6: Change or taking control

Question I.9

	Yes	No	Explanation
Does the company have policies or agreements not to adopt mechanisms to prevent takeovers?		X	The by-laws do not include agreements to limit takeovers.

Indicate whether the company has established any of the following measures:

	Yes	No
Minimum share requirements for directors		X
Minimum number of years as a director before being chosen as president of the board of directors		X
Agreements to indemnify executives / officers as a consequence of changes after a takeover.		X
Others of a similar nature / Details	The company is a SRL; it therefore has no board of directors. Nevertheless, see above regarding the shareholders.	

Principle 7: Arbitration for dispute settlement

Question I.10

	Yes	No	Explanation
a. Do the company’s by-laws include an arbitration agreement submitting to legal arbitration any dispute between shareholders or between shareholders and the board of directors; and objections to the agreements of the AGM and board of directors by shareholders in the company?	X		They include an arbitration clause, which states that all disputes or disagreements between shareholders and the company and its managers, during the company’s existence or winding up, concerning the interpretation or application of these by-laws, shall be submitted to the binding decision of an arbitration panel.
b. Does this clause enable an independent third party to resolve disputes, other than the right to resort to the normal courts?	X		Yes, they would be resolved by an independent third party.

Give the number of objections to agreements made at the AGM by shareholders or other stakeholders in the company during the fiscal year.

Number of objections to AGM agreements	
Number of objections to agreements by the board of directors	0



## PILLAR II: General meeting of shareholders

### Principle 8: Function and competence

#### Question II.1

	Yes	No	Explanation
Is the AGM exclusively responsible for approving the board of directors' distribution policy?		X	Not applicable. The company does not have a board of directors. Nevertheless, the AGM is responsible for approving the distribution policy applicable to the company's officers.

Indicate whether the following functions are the exclusive competence of the AGM, if not state which entity exercises this function.

	Yes	No	Entity
Order special investigations and audits	X		
Agree modifications to the by laws	X		
Agree increases in the capital	X		
Agree interim dividends	X		
Appoint the external auditors	X		

### Principle 9: Regulations concerning general meetings of shareholders

#### Question II.2

	Yes	No	Explanation
Does the company have a regulation applicable to the AGM that is binding and includes responsibility for non-compliance?		X	Nevertheless, Chapter I, Heading III of the company's by-laws includes the procedure to be to call and hold a meeting, the matters for discussion, the chairman and other points.

If there is a regulation concerning the AGM state whether it includes procedures for:

	Yes	No
Calling an AGM		
Incorporating shareholders' points on the agenda		
Provide additional information on the AGM to shareholders		
The progress of the meeting		
Appointment of members of the board of directors		
Others / Details		



Principle 10: Mechanisms for calling meetings

Question II.3

	Yes	No	Explanation
In addition to the mechanisms for calling meetings established in law, does the company have such mechanisms that enable it to contact shareholders, particularly those that do not take part in the control or management of the company?		X	We believe that no additional mechanisms are necessary, other than those established in the Companies Act, which are sufficient to protect the shareholders' rights.

a. Complete the following information for each one of the meetings held during the fiscal year.

Date of notice of calling	Date of meeting	Place meeting held	Type of meeting		Full meeting of shareholders		Quorum %	Shareholders present	Shares represented as a % of all voting shares		
			Extraordinary	General	Yes	No			Through powers of attorney	Directly (*)	Did not exercise right to vote
	14/01/2016	Registered office		X	X			2	100%		
	31/03/2016	Registered office	Annually	X				2	100%		
	13/05/2016	Registered office		X	X			2	100%		
	23/05/2016	Registered office		X	X			2	100%		
	05/08/2016	Registered office		X	X			2	100%		
	28/12/2016	Registered office		X	X			2	100%		

(\*) Direct exercise of this right includes voting by any means or method other than using a proxy

b. What means, other than those included in article 43 of the Companies Act and in the Regulations Concerning Significant Events and Reserved Information, did the company use to publish the calling of general meetings during the fiscal year?

E-mail	Mail	
By telephone	Social networks	
Corporate website	Others / Details	Directly in the company

Question II.4

	Yes	No	Explanation
Did the company make available to shareholders all information on the points contained in the agenda for the AGM and the motions proposed?	X		

Did the notices of calling issued by the company during the fiscal year:

	Yes	No
state where the information on the agenda for the meetings could be found?		
Were the following included as points on the agenda: “other subjects”, “general points” or similar?		

Principle 11: Proposed points on the agenda

Question II.5

	Yes	No	Explanation
Do the Regulations Concerning the AGM include mechanisms enabling shareholders to exercise there right to propose points on the agenda to be discussed at the AGM and procedures for accepting or rejecting such proposals?		X	Not applicable, we have no regulation. Notwithstanding the above, the provisions of the CA that enable shareholders to exercise the rights described above do apply.

a. Indicate the number of applications submitted by shareholders during the fiscal year points to be included in the agenda of the AGM, and how these were resolved:

Number of applications		
Received	Accepted	Denied
0		

b. If applications to include matters in the agenda of the AGM have been denied during the fiscal year, indicate whether the company reported the reasons for the denial to the applicant shareholders.

Yes ☐ No ☐



Principle 12: Voting procedures

Question II.6

	Yes	No	Explanation
Does the company have mechanisms allowing shareholders to vote when not present at the meeting by secure electronic or postal means that guarantee that the voter is indeed a shareholder?		X	In accordance with the company's by-laws, shareholders are present either personally or through proxies.

a. If applicable, indicate what means or mechanisms the company employs for distance voting.

Electronic votes	Postal votes
------------------	--------------

b. If distance voting took place during the fiscal year give the following information:

Date of meeting	% distance votes				% distance votes / total
	E-mail:	Corporate website	Mail	Others	

Question II.7

	Yes	No	Explanation
Does the company have documents that specify clearly that shareholders can vote separately on matters that are substantially independent, such that they may exercise their preferences separately?		X	Votes are governed by the company's by-laws.

Indicate whether the company has documents that specify clearly that shareholders can vote separately for:

	Yes	No
The appointment or ratification of the directors by an individual vote for each one.		X
Modification of the by-laws by article or group of articles, that are substantially independent.		X
Others / Details	The matters subject to a vote are clearly defined in the agenda for the meeting.	

Question II.8

	Yes	No	Explanation
Does the company allow proxies acting on behalf of several shareholders to cast different votes for each shareholder, thus complying with the instructions of each principal?	X		

Principle 13: Delegation of votes

Question II.6. 9

	Yes	No	Explanation
Do the company by-laws enable its shareholders to vote by proxy?	X		

If the answer is no, indicate whether the by-laws restrict the right of representation to any of the following people:

	Si	No
Another shareholder		
A director		
A manager		

Question II.10

	Yes	No	Explanation
a. Does the company have procedures detailing the conditions, ways and means to be complied with when proxy voting is required?	X		
b. Does the company provide a model power of attorney to shareholders, including proxy’s data, matters on which the shareholder delegates his vote and, if applicable, the vote to be cast on each proposal?		X	There is no model letter but this does not limit the shareholders’ right to request representation.

Give the requirements and formalities by which a shareholder can be represented at a meeting:

Formality (indicate whether parent requires a letter, notarized letter, public deed or other document).	Simple letter
Advance notice (number of days in advance of the meeting that the powers of attorney must be submitted).	Up to the previous day
Cost (indicate whether parent demands payment and the amount payable).	No payment is required



Question II.11

	Yes	No	Explanation
a. Does the company have a policy establishing limits on the percentage of members of the board of directors or senior management chosen as proxies?		X	The company's by-laws do not limit the right to a proxy.
b. With regard to members of the board of directors or senior management chosen as proxies, does the company have a policy by which shareholders voting by proxy can clearly establish how these votes are to be cast?		X	There is no such policy, shareholders have complete freedom to choose proxies.

Principle 14: Monitoring of agreements at the AGM

Question II.12

	Yes	No	Explanation
a. Does the company monitor the agreements adopted by the AGM?	X		Not applicable. The company does not have a board of directors. Nevertheless the company immediately informs the shareholders of agreements reached at the AGM.
b. Does the company issue periodic reports to the board of directors and are they made available to shareholders?		X	

If applicable, indicate the department and/or individual responsible for monitoring the agreements adopted at the AGM. If an individual is responsible, also give his position and the department in which he works.

Department responsible	Court
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Person responsible		
Given names and surnames	Position	Department

# PILLAR III: The Board of Directors and Senior Management

## Principle 15: Board of directors

### Question III.1

	Yes	No	Explanation
Does the board of directors consist of people with different specialties and skills, with prestige, probity and economic independence, who are available to attend meetings and possess other qualities relevant to the company, such that there is a variety of opinions and viewpoints.		X	Not applicable. The company does not have a board of directors.

a. Give the following information on the members of the company's board of directors during the fiscal year.

Full name:	Professional training (*)	Date		Part. Shareholding (****)	
		Start (**)	Finish (***)	Nº of shares	Part. (%)

Directors (not including independent directors)

--

Independent directors

--

(\*) Also state whether directors sit on other boards, give the number of such directorships and whether the companies in question are part of the economic group of the reporting company. Please use the definition of economic group contained in the Regulations Concerning Indirect Ownership, Association and Economic Groups.

(\*\*) First appointment by the reporting company.

(\*\*\*) To be completed only if the directorship became vacant during the fiscal year.

(\*\*\*\*) Obligatory only for directors who hold 5% or more of the shares of the reporting company.

% of total shares held by the directors	
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Indicate the number of directors of the company in each of the following age ranges:

Under 35	35 to 55	55 to 65	Over 65

b. Indicate whether there are specific requirements to be appointed president of the board of directors, other than those required to be appointed a director.

Yes ☐ No ☐

If the answer is yes, please describe those requirements.

--

c. Does the president of the board of directors have a casting vote?

Yes ☐ No ☐



Question III.2

	Yes	No	Explanation
Does the company avoid appointing deputy directors, especially for reasons of the quorum?		X	Not applicable. The company does not have a board of directors.

If it has deputy directors, please state:

Given names and surnames of deputy director	Start (*)	Finish (**)

(\*) First appointment as deputy director of the reporting company.  
(\*\*) To be completed only if the deputy directorship became vacant during the fiscal year.

Question III.3

	Yes	No	Explanation
Does the company publish the names of the directors, whether they are independent and their curricula vitae?		X	Not applicable. The company does not have a board of directors.

Indicate how the company divulges the following information about the directors:

	E-mail:	Corporate website	By mail	Does not divulge	Others / Details
Directors' names					
Independent or not					
Curricula Vitae					

Principle 16: Functions of the board of directors

Question III.4

	Yes	No	Explanation
Does the board of directors have the following functions? a. To approve and conduct the company’s corporate strategy.		X	Not applicable. Because of its type the company does not have a board of directors. Notwithstanding the above, this function is the responsibility of the general meeting of shareholders.
b. To establish objectives, goals and action plan, including annual budgets and business plans.			Not applicable. Because of its type the company does not have a board of directors. Notwithstanding the above, this function is the responsibility of the general meeting of shareholders.
c. To control and supervise the management and to be responsible for the governance and administration of the company.		X	Not applicable. Because of its type the company does not have a board of directors. Notwithstanding the above, this function is the responsibility of the general meeting of shareholders.
d. To supervise good corporate governance and establish the policies and measurements necessary for its application.			Not applicable. Because of its type the company does not have a board of directors. Notwithstanding the above, this function is the responsibility of the general meeting of shareholders.

a. Give details of other relevant functions of the company’s board of directors.

NA

b. Does the board of directors delegate any of its functions?

Yes ☐ No ☐

if applicable, indicate the main functions that have been delegated and to which entity:

Functions	Entity / department to which functions have been delegated



Principle 17: Rights and duties of the directors

Question III.5

	Yes	No	Explanation
Do the directors have the right to: a. Request that the board seeks expert help or support.		X	Not applicable. The company does not have a board of directors. Notwithstanding the above, this right is exercised by the general meeting of shareholders.
b. Take part in induction programs about their powers and responsibilities and to be informed of the company's organization structure in a timely manner.		X	Not applicable. The company does not have a board of directors. Notwithstanding the above, this right is exercised by the general meeting of shareholders.
c. Receive payment for their work, which combines recognition of their professional experience and dedication to the company, using rationality as a criterion.		X	Not applicable. The company does not have a board of directors.

a. If specialist advisers have been engaged during the fiscal year, indicate whether the board of directors' list of specialist advisers who have provided their services during the fiscal year has been made known to the shareholders.

Yes ☐ No ☐

If applicable, state whether any of the specialist advisers have any links with a member of the board of directors and/or senior management (\*).

Yes ☐ No ☐

(\*) In accordance with the criteria contained in the Regulation Concerning Indirect Ownership, Associates and Economic Groups.

b. If applicable, indicate whether the company holds induction programs for new members.

Yes ☐ No ☐

c. Indicate the total amount of the directors' annual remuneration and bonuses as a percentage of gross earnings as shown in the company's financial statements.

Total (%)	Incomes earnings	Bonuses	(%) Incomes earnings
Directors (not including independent directors)		In shares	
Independents Directors		In options	
		In cash	
		Others (give details)	

Principle 18: Regulations concerning the board of directors

Question III.6

	Yes	No	Explanation
Does the company have regulations covering the board of directors that is binding and leads to repercussions in the event of non-compliance?		X	Not applicable. The company does not have a board of directors.

Indicate whether these regulations contain:

	Yes	No
Policies and procedures its application		
Organizational structure of the board of directors		
Functions and responsibilities of the president of the board of directors		
Procedures for identifying, evaluating and appointing candidates for directorships, proposed to the AGM.		
Procedures for vacant directorships and for dismissing and replacing directors.		
Others / Details		

Principle 19: Independent directors

Question III.7

	Yes	No	Explanation
Do independent directors make up at least one third of the board?		X	Not applicable. The company does not have a board of directors.

Indicate which of the following conditions are taken into account by the company in classifying its directors as independent.

	Yes	No
Not being a director or employee of a company in the same business group, unless three (3) or five (5) years respectively have elapsed since they ceased to be such.		
Not being an employee of a shareholder who holds five percent (5%) or more of the company's shares.		
Not being an independent director of the company for more than eight (8) consecutive years.		
Not having a significant (*) business or contractual relationship in the last three (3) years, either directly or indirectly, with the company or any other company in the same group.		
Not being the spouse or having a family relationship of the first or second degree of consanguinity with shareholders, directors or the senior management of the company.		



	Yes	No
Not being a director or member of the senior management of any other company in which any director or member of the senior management of the company is a director.		
Not having been in the last eight (8) years a member of the senior management or an employee of the company, companies belonging to the same group or companies holding shares in the company.		
Not having been, during the last three (3) years a partner or employee of an external auditor or auditor of any company in the same group.		
Others / Details		

(\*) A business relationship shall be assumed to be significant when either of the parties has issued invoices or payments for an amount greater than 1% of its annual earnings.

### Question III.8

	Yes	No	Explanation
a. Does the board of directors declare that a candidate is independent based on its own investigation and the candidate's declaration?		X	Not applicable. The company does not have a board of directors.
b. Do candidates for independent directorships declare their independence to the company, its shareholders and directors?		X	Not applicable. The company does not have a board of directors.

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## Principle 20: Operability of the board of directors

### Question III.9

	Yes	No	Explanation
Does the board of directors have a working plan that helps to make its operation more efficient?		X	Not applicable. The company does not have a board of directors.

### Question III.10

	Yes	No	Explanation
Does the company provide its directors with the channels and procedures necessary for them to take effective part in meetings of the board, including when they are not physically present?		X	Not applicable. The company does not have a board of directors.

a. Give the following information on board meetings held during the fiscal year:

Number of meetings	
Number of meetings held without a notice of calling (*)	
Number of meetings at which the president of the board was not present	
Number of meetings in which one or more directors were represented by deputy directors or proxies	
Number of directors represented on at least one occasion	

(\*) In this field include information on the number of meetings held in accordance with the provisions of the final paragraph of article 167 of the Companies Act.

b. Indicate the percentage attendance of the directors at board meetings during the fiscal year.

Name	% attendance

c. Indicate how long before a board meeting the information on the matters to be discussed is made available to the directors.

	Less than 3 days	From 3 to 5 days	More than 5 days
Non-confidential information			
Confidential information			

Question III.11

	Yes	No	Explanation
a. Does the board objectively evaluate its own performance and that of its members at least once a year?		X	Not applicable. The company does not have a board of directors.
b. Are self-assessments used alternately with evaluations by outside advisers?		X	Not applicable. The company does not have a board of directors.



a. Indicate whether performance evaluations of the board of directors have been carried out during the fiscal year.

	Yes	No
As a collegiate body		
Individual members		

If either of the above answers is yes, give the following information for each evaluation:

Policy	Self-assessment		External evaluation		
	Date	Publication(*)	Date	Entity responsible	Publication(*)

(\*) Indicate whether the evaluation was made known to the shareholders.

## Principle 21: Special committees

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### Question III.12

	Yes	No	Explanation
a. Does the company's board of directors create special committees to analyze the most relevant aspects of the company's performance?		X	Not applicable. The company does not have a board of directors. Notwithstanding the above, this function is exercised by the general meeting of shareholders.
b. Does the board of directors approve the regulations governing each of the special committees it creates?		X	Not applicable. The company does not have a board of directors.
c. Are the special committees chaired by independent directors?		X	Not applicable. The company does not have a board of directors.
d. Do the special committees have a budget assigned to them?		X	Not applicable. The company does not have a board of directors.

### Question III.13

	Yes	No	Explanation
Does the company have an appointments and remuneration committee responsible for proposing candidates for directorships to the AGM and for approving the remuneration and incentives system for the senior management?		X	Not applicable. The company does not have a board of directors. Nevertheless, the AGM is responsible for determining the system of remuneration and incentives for the company's officers, in coordination with the Human Resources Department.

Question III.14

	Yes	No	Explanation
Does the company have an audit committee to supervise the effectiveness and suitability of the company's internal and external controls, the work of the audit firm or independent auditor and compliance with the regulations concerning legal and professional independence?	X		One of the functions of the Operator is internal auditing.

a. State whether the company also has the following special committees:

	Yes	No
Risks committee		X
Corporate governance committee		X

b. If the company has special committees, give the following information about each committee:

COMMITTEE 1	
Name of the committee:	
ate created:	
Main functions:	

Members of the committee (*) Given names and surname	Date		Position within the committee	
	Start (**)	End (***)		
Independent directors as a % of the total number of committee members				
Number of meetings held during the fiscal year				
The committee has powers delegated in accordance with article 174 of the Companies Act			YES	NO
Does the committee or its president take part in the AGM?			YES	NO

(\*)Information will be provided on the members of the committee during the fiscal year.

(\*\*) First appointment as a committee member in the reporting company.

(\*\*\*)To be completed only if the position became vacant during the fiscal year.



## COMMITTEE 2

Name of the committee:	
Date created:	
Main functions:	

Members of the committee (*) Given names and surname	Date		Position within the committee			
	Start (**)	End (***)				
Independent directors as a % of the total number of committee members						
Number of meetings held during the fiscal year						
The committee has powers delegated in accordance with article 174 of the Companies Act			YES		NO	
Does the committee or its president take part in the AGM?			YES		NO	

(\*)Information will be provided on the members of the committee during the fiscal year.

(\*\*) First appointment as a committee member in the reporting company.

(\*\*\*)To be completed only if the position became vacant during the fiscal year.

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## COMMITTEE 3

Name of the committee:	
Date created:	
Main functions:	

Members of the committee (*) Given names and surname	Date		Position within the committee			
	Start (**)	End (***)				
Independent directors as a % of the total number of committee members						
Number of meetings held during the fiscal year						
The committee has powers delegated in accordance with article 174 of the Companies Act			YES		NO	
Does the committee or its president take part in the AGM?			YES		NO	

(\*)Information will be provided on the members of the committee during the fiscal year.

(\*\*) First appointment as a committee member in the reporting company.

(\*\*\*)To be completed only if the position became vacant during the fiscal year.

## COMMITTEE 4

Name of the committee:	
Date created:	
Main functions:	

Members of the committee (*) Given names and surname	Date		Position within the committee			
	Start (**)	End (***)				
Independent directors as a % of the total number of committee members						
Number of meetings held during the fiscal year						
The committee has powers delegated in accordance with article 174 of the Companies Act			YES		NO	
Does the committee or its president take part in the AGM?			YES		NO	

(\*)Information will be provided on the members of the committee during the fiscal year.

(\*\*) First appointment as a committee member in the reporting company.

(\*\*\*)To be completed only if the position became vacant during the fiscal year.

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## COMMITTEE 5

Name of the committee:	
Date created:	
Main functions:	

Members of the committee (*) Given names and surname	Date		Position within the committee			
	Start (**)	End (***)				
Independent directors as a % of the total number of committee members						
Number of meetings held during the fiscal year						
The committee has powers delegated in accordance with article 174 of the Companies Act			YES		NO	
Does the committee or its president take part in the AGM?			YES		NO	

(\*)Information will be provided on the members of the committee during the fiscal year.

(\*\*) First appointment as a committee member in the reporting company.

(\*\*\*)To be completed only if the position became vacant during the fiscal year.



Principle 22: Code of ethics and conflicts of interest

Question III.15

	Yes	No	Explanation
Does the company adopt measures to prevent, detect, manage and reveal any conflicts of interest that may arise?	X		The AGM delegates the powers necessary to monitor and control possible conflicts of interest to the general management.

if applicable, what department and/or individual is responsible for the monitoring and control of possible conflicts of interest. If an individual is responsible, also give his position and the department in which he works.

Department responsible	General management, Human Resources and Legal departments
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Person responsible		
Given names and surnames	Position	Department

Question III.16 / compliance

	Yes	No	Explanation
a. Does the company have a Code of Ethics (*) that is binding upon its directors, managers, officials and other collaborators (**) of the company, containing ethical and professional responsibility criteria, including the management of potential conflicts of interest?	X		
b. Do the board of directors or general management approve training programs for compliance with the Code of Ethics?	X		

(\*) The Code of Ethics may be included in the Internal Conduct Regulations.  
(\*\*) The term collaborators covers all those with any labor relationship with the company, regardless of contract type.

If the company has a Code of Ethics, indicate the following:

a. It is available to:

	Yes	No
Shareholders	X	
Others to whom it is applicable	X	
The general public		X

b. Indicate the department and/or individual responsible for monitoring and compliance with the Code of Ethics. If an individual is responsible, also give his position, the the department in which he works and his immediate superior.

<b>Department responsible</b>	Human Resources Department
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<b>Person responsible</b>			
Given names and surnames	Position	Department	Immediate superior

c. Are records kept of non-compliance with the Code? Yes ☐ No ☐

d. Indicate the number of incidences of non-compliance with the provisions of the Code detected or reported during the fiscal year

Number of non-compliances

### Question III.17

	Yes	No	Explanation
a. Does the company possess mechanisms for reporting any illegal or unethical conduct and guaranteeing the confidentiality of the person reporting?	X		
b. Are incidences of non-compliance reported directly to the Audit Committee when they are related to accounting aspects or when the General Management or Financial Department are involved?		X	No, reports of illegal or unethical conduct are evaluated by the Human Resources Department.

### Question III.18

	Yes	No	Explanation
a. Is the board of directors responsible for monitoring and controlling possible conflicts of interest that may arise within the board?		X	No, reports of illegal or unethical conduct are evaluated by the Human Resources Department.
b. If the company is not a financial institution, does it have a policy by which the directors are prohibited from receiving loans from the company or any company of its economic group without prior authorization from the board of directors?		X	Not applicable. The company does not have a board of directors.
c. If the company is not a financial institution, does it have a policy by which the senior managers are prohibited from receiving loans from the company or any company of its economic group without prior authorization from the board of directors?		X	Not applicable. The company does not have a board of directors.



a. Give the following information on senior managers who hold 5% or more of the company’s shares.

Given names and surnames	Position	Number of shares	% of total number of shares
% of all shares in the possession of senior management		0%	

b. Indicate whether any director or senior manager of the company is the spouse, family member to the first or second degree of consanguinity or family member to the first degree of affinity of:

Names and surnames	Connection with			Names and surnames of shareholder / director / manager	Type of relationship (**)	Additional information (***)
	Shareholder (*)	Director	Senior management			

(\*)Shareholders holding 5% or more of the company’s shares.  
(\*\*)In accordance with the criteria contained in the Regulation Concerning Indirect Ownership, Associates and Economic Groups.  
(\*\*\*)If there is a connection with any shareholder include his shareholding. If there is a connection with any manager, include his position.

c. If any member of the board of directors occupies or has occupied any management position in the company during the fiscal year covered by this report, give the following information:

Given names and surnames	Management post occupied now or previously	Time in that post	
		Start (*)	Finish (**)

(\*)First management appointment in the reporting company.  
(\*\*) To be completed only if the management position became vacant during the fiscal year.

d. If, during the fiscal year, any member of the board of directors or senior management has had a commercial or contractual relationship with the company that was significant because of its value or for other reasons, please give the following information.

Given names and surnames	Type of relationship	Brief description

Principle 23: Operations with non-arm’s-length parties

Question III.19

	Yes	No	Explanation
a. Does the board of directors have policies and procedures for valuing, approving and revealing certain transactions between the company and non-arm’s-length parties, and for revealing commercial or personal relationships, either direct or indirect, between the directors, between directors and the company, suppliers or clients and other stakeholders?	X		The company does not have a board of directors. Nevertheless the company has a procedure for approving transactions between non-arm’s length parties.
b. As far as transactions of particular relevance or complexity are concerned, would external advisers be used for valuation purposes?	X		The company can contract such advisers as it deems necessary to evaluate special operations, with the approval of the AGM.

a. If the company complies with paragraph a) of Question III.19, indicate the company department(s) responsible for the following aspects of transactions with non-arm’s-length parties:

Aspects	Department responsible
Valuation	GM and general meeting of shareholders
Approval	GM and general meeting of shareholders
Revelation	AGM and general meetings of shareholders

b. Indicate the pre-established procedures for approving transactions between related parties:

Reporting transactions between non-arms-length parties to the General Manager of the company. The General Management evaluates such transactions and if necessary this requires approval by the AGM.
---

c. Give details of transactions between the company and non-arm’s-length parties during the fiscal year that were important because of their value or subject matter.

Name or trading name of the non-arm’s-length party	Nature of the relationship(*)	Type of transaction	Value (S/.)

(\*)In accordance with the criteria contained in the Regulation Concerning Indirect Ownership, Associates and Economic Groups.

d. Say whether the company sets limits on transactions with non-arm’s-length parties:

Yes ☐ No ☒



Principle 24: Functions of the senior management

Question III.20 / compliance

	Yes	No	Explanation
a. Does the company have a clear policy separating the functions exercised by the board of directors, ordinary management exercised by the senior managers and the leadership of the General Manager?	X		
b. Are the general manager and president of the board of directors different people?		X	The general management is appointed by the AGM.
c. Does the senior management have sufficient autonomy to perform the functions assigned to it within the policies and guidelines defined by the board of directors, and under its control?	X		The company does not have a board of directors, nevertheless this function is exercised through the general meeting of shareholders.
d. Is the general management responsible for complying with and ensuring compliance with the policy for providing information to the board and to the directors?	X		The company does not have a board of directors, nevertheless this function is exercised through the general meeting of shareholders.
e. Does the board of directors carry out an annual evaluation of the performance of the general management as a function of well-defined standards?	X		The company does not have a board of directors, nevertheless this function is exercised through the general meeting of shareholders.
f. Does the remuneration of the senior management have a fixed component and a variable component that takes into account the company's results based on prudent forecasting, responsible risk-taking and compliance with the goals set forth in the respective plans?		X	It should be noted that although the company does not have a bonus plan for its management personnel, it does have guidelines that ensure compliance with the company's aims and enable performance bonuses to be paid to all members of the organization.

a. Give the following information on the remuneration paid to the general manager and managers (including bonuses).

Position	Remuneration (*)	
	Fixed	Variable
General Manager	100%	0%
Management	100%	0%

(\*) Indicate the total annual remuneration of senior managers as a percentage of gross earnings according to the company 's financial statements.

b. If the company pays bonuses or indemnifications to senior managers other than those required by law, say how these are paid.

	General Manager	Managers
In shares		
In options		
In cash		
Others / Details		

c. If there is a variable component to remuneration, what are the principal aspects used to determine it?

d. Indicate whether the board of directors evaluated the performance of the General Management during the fiscal year.

Yes ☐ No ☐

PILLAR IV: Risk and compliance

Principle 25: Risk management environment

Question IV.1

	Yes	No	Explanation
a. Does the board of directors approve an integrated management policy for risks according to their size and complexity and encourage a risk management culture within the company from the board of directors and senior management down to the employees?		X	Not applicable. The company does not have a board of directors. Nevertheless the company does have systems of control, specifically financial and non-financial risk control and compliance.
b. Does the integrated risk management policy cover all the companies belonging to the group and produce a global view of critical risks?		X	Nevertheless the company does have systems of control, specifically financial and non-financial risk control and compliance.

Does the company have a policy of delegating risk management that establishes limits for the risk that can be handled at each level of the company?

Yes ☒ No ☐

Question IV.2

	Yes	No	Explanation
a. Does the General Management manage the risks to which the company is exposed and report them to the board of directors?	X		The general management does manage the risks to which the company is exposed, however it does not have a board of directors.



b. Is the General Management responsible for the risk management system if there is no risks committee or risks department?	X		The company does not have a risk committee or department, however in 2015 a Tax, Legal and Risk Manager was appointed through the PERU LNG S.R.L. operator.
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Does the company have a risks manager?

Yes ☐ No ☒

If yes, indicate the following:

Given names and surnames	Date appointed		Department / entity to which he reports
	Start (*)	End (**)	

(\*)First appointment by the reporting company.

(\*\*)To be completed only if the position became vacant during the fiscal year.

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### Question IV.3

	Yes	No	Explanation
Does the company have an internal and external control system, the suitability and efficiency of which are supervised by the company's board of directors?		X	Not applicable. The company does not have a board of directors.

## Principle 26: Internal audit

### Question IV.4

	Yes	No	Explanation
a. Does the internal auditor carry out audit work exclusively, does he have autonomy and experience and is he a specialist in the matters he evaluates, as well as the independence required for monitoring and evaluating the effectiveness of the risk management system?	X		
b. Is the internal auditor responsible for continually ensuring that all the financial information generated or recorded by the company is valid and reliable, as well as for verifying the effectiveness of regulatory compliance?	X		
c. Does the internal auditor report directly to the Audit Committee on its plans, budget, activities, progress, results obtained and action taken?		X	Not applicable. The company does not have an audit committee.

a. Indicate whether the company has an independent department responsible for internal auditing.

Yes ☒ No ☐

If the answer to the above question is yes, indicate the person responsible for the audit within the organizational hierarchy of the company.

Responsible to	The Legal, Taxation & Risk Department of HUNT LNG OPERATING COMPANY S.A.C. (PERU LNG’s operator)
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b. Indicate whether the company has a corporate internal auditor.

Yes ☒ No ☐

Give the main responsibilities of the person responsible for internal auditing and whether he has other functions apart from the internal audit.

The Internal Audit Department is responsible for ensuring the establishment, understanding and maintenance of effective business controls, through an independent evaluation for the management on the suitability of all the company’s business control systems. These functions include but are not limited to the following: evaluating compliance with laws and regulations; evaluating whether politics and procedures are being followed; making recommendations for improvements to the controls, processes, procedures and performance of the business and risk management, and suggesting ways to increase efficiency and reduce errors in business processes; recommending ways of designing and improving information technology and business controls.
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Question IV.5

	Yes	No	Explanation
Is the internal auditor appointed and dismissed by the board of directors at the suggestion of the audit committee?		X	Not applicable. The company does not have a board of directors.

Principle 27: External auditors

Question IV.6

	Yes	No	Explanation
Does the AGM act on the recommendation of the board of directors to appoint the audit firm or independent auditor, and do they remain clearly independent of the company?	X		Given that the company does not have a board of directors, the AGM appoints the external auditors.

a. Does the company have a policy for appointing the external auditor?

Yes ☐ No ☒



If the answer to the previous question is affirmative, describe the procedure for contracting the audit firm responsible for giving an opinion on the annual financial statements (including identification of the company body responsible for choosing the audit firm).

b. If the audit firm has provided services other than auditing the accounts, indicate whether the AGM was informed of this and include the value of these services as a percentage of the audit firm’s total turnover.

Yes☐

No☐

c. Do any of the audit firm’s non-arm’s-length entities or individuals provide services to the company other than auditing the accounts?

Yes☐

No☒

If the answer to the above question was yes, give the following information about the additional services provided by the audit firm’s non-arm’s-length entities or individuals during the fiscal year.

Name or trading name	Additional services	% of remuneration (*)

(\*) Value of the additional services over the value of the audit services.

d. Indicate whether the audit firm used different people, if it provided services other than auditing the accounts.

Yes☐

No☐

Question IV.7

	Yes	No	Explanation
a. Does the company have a policy of renewing its independent auditor or audit firm?		X	There is no policy governing this matter
b. If the policy establishes a longer period for replacement of the audit firm, is the audit team rotated at least every five (5) years?		X	There is no policy governing this matter

Give the following information on the audit companies that have provided services to Parent over the last five (5) years.

Name of audit company	Service (*)	Period	Remuneration (**)	% of the earnings of the audit firm
KPMG CAIPO Y ASOCIADOS	Opinions on financial information	2016	100%	

(\*) Include all types of services such as opinions on financial information, accounting investigations, operating audits, systems audits, tax audits or other services.

(\*\*) Of the total amount paid to the audit company for all concepts, indicate the percentage paid for financial auditing services.

## Question IV.8

	Yes	No	Explanation
With regard to economic groups, is the external auditor the same for the whole group, including offshore associates?	X		

Indicate whether the audit company contracted to give an opinion on the company's financial statements for the fiscal year covered by this report also gave an opinion on the financial statements for the same fiscal of other companies in the economic group.

Sí ☒ No ☐

If the answer to the above was yes, give the following information:

Name or trading name of company (companies) in the economic group

**PERU LNG COMPANY LLC AND SUBSIDIARIES**



## PILLAR V: Information transparency

### Principle 28: Information policy

#### Question V.1

	Yes	No	Explanation
Does the company have an information policy for shareholders, investors, other stakeholders and the market in general, which defines, in a formal, orderly and integral manner the guidelines, standards and criteria to be applied in managing, compiling, drawing up, classifying, organizing and/or distributing the information generated or received by the company?	X		

a. If applicable, indicate whether the company makes available the following in accordance with its information policy:

	Yes	No
Objectives of the company	X	
List of directors and senior managers	X	
Share structure	X	
Description of the economic group to which it belongs	X	
Financial statements and annual report	X	
Others / Details		

b. Does the company have a corporate website?

Yes ☒ No ☐

Does the corporate website include:

	Yes	No
A special section on corporate governance or relationships with shareholders and investors, which includes corporate governance reports	X	
Significant events	X	
Financial information	X	
By-laws		X
Regulations concerning the AGM and information on meetings (attendance, minutes, others)		X
Composition of the board of directors and its regulations		X
Code of Ethics		X
Risks policy		X
Corporate social responsibility (community, the environment, others)	X	
Others / Details		

Question V.2

	Yes	No	Explanation
Does the company have an investor relations office?		X	The company does not consider an investor relations office to be necessary as contact is direct.

If it has an investor relations office, indicate who is responsible for it.

Responsible for the investor relations office	
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If the company has no investor relations office, indicate the unit (department / branch) or person responsible for receiving and processing applications for information from the company’s shareholders and the general public. If an individual, also indicate his position and the department in which he works.

Department responsible	
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Person responsible		
Given names and surnames	Position	Department

Principle 29: Financial statements and annual report

If the external auditor’s report contains qualifications, have these qualifications been explained and/or justified to the shareholders?

Sí ☒ No ☐

Principle 30: Information on shareholdings and agreements between the shareholders

Question V.3

	Yes	No	Explanation
Does the company reveal its ownership structure, different share classes and, if applicable, joint ownership by a given economic group?		X	All shares are voting shares, they are indivisible and can be represented.



Indicate the composition of the company’s shareholdings at the close of the fiscal year.

Voting shareholdings	Number of shareholders (at close of fiscal year)	% participation
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		

Non-voting shareholdings (if applicable)	Number of shareholders (at close of fiscal year)	% participation
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		

Investment shareholdings (if applicable)	Number of shareholders (at close of fiscal year)	% participation
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		

Shares as percentage of capital:

Question V.4

	Yes	No	Explanation
The company does not have shareholders agreements.		X	Does the company report agreements between shareholders?

a. Does the company record current agreements between shareholders?

Yes ☒ No ☐

b. If the company has been informed of any agreements between shareholders during the fiscal year, indicate the subject matter of each such agreement.

Election of directors	
Use of voting rights at meetings	
Restrictions on the free transfer of shares	
Changes in the internal regulations of by-laws of the company	
Others / Details	

Principle 31: Corporate governance report

Question V.5

	Yes	No	Explanation
Does the company divulge its corporate governance standards in an annual report whose content is the responsibility of the board of directors, after informing the Audit Committee and Corporate Governance Committee if applicable?		X	Not applicable. The company does not have a board of directors.

a. The company has mechanisms for divulging its corporate governance practices both internally and externally.

Yes ☒ No ☐

If the answer to the above question is yes, specify the mechanisms employed.



## SECTION C:

### Content of company documents

In which of these documents does the company regulate the following matters:

		Principio	Estatuto	Reglamento interno*	Manual	Otros	No regulado	No aplica	Denominación del documento**
1	Policy for redeeming or exchanging non-voting shares	1						X	
2	Method of recording share ownership and person responsible for registration	2						X	
3	Procedures for choosing the external adviser to give an opinion on the board's proposals for corporate operations that could affect the shareholders' right not to have their shareholding diluted.	3						X	
4	Procedure for receiving and processing applications for information and opinions from shareholders	4	X						
5	Dividend policy	5	X			X			Minutes of general meetings of shareholders
6	Policies or agreements not to adopt anti-takeover mechanisms	6						X	
7	Arbitration agreement	7	X						
8	Policy for choosing the company's directors	8						X	
9	Policy for evaluating the directors' remuneration	8						X	

10	Mechanisms for providing shareholders with information on the agenda of the AGM and proposals	10	X						
11	Methods other than those established in law used by the company to call the AGM	10					X		
12	Additional mechanisms by which shareholders can add items to the agenda of the AGM	11					X		
13	Procedures for accepting or rejecting shareholders' proposals for points to be included in the agenda or for discussion at the AGM	11	X						
14	Mechanisms to enable shareholders to take part from a distance	12					X		
15	Procedures for differential voting by shareholders	12					X		
16	Procedures to be used for proxy voting	13					X		
17	Requirements and formalities by which a shareholder may appoint a proxy at an AGM	13	X						
18	Procedures appointing directors or senior managers as proxies	13						X	
19	Procedure for monitoring the agreements reached at the AGM	14				X			Legal Department
20	Minimum and maximum numbers of directors on the company's board of directors.	15						X	
21	The rights, duties and functions of the company's directors	17						X	
22	Indicate the type of bonuses paid to the board of directors for reaching the company's targets	17						X	
23	Policy for contracting advisers to the directors	17						X	



24	Induction policy for new directors	17						X	
25	Special requirements for independent directors of the company	19						X	
26	Criteria for evaluating the performance of the board of directors and its members	20						X	
27	Policy for determining, monitoring and controlling possible conflicts of interest;	22		X					Code of conduct
28	Policy for the valuation, approval and revelation procedure for transactions with non-arm's-length entities	23				X			General meeting of shareholders and general management
29	Responsibilities and functions of the president of the board of directors, executive president, general manager and other senior managers	24	X			X			Powers of attorney granted by the general meeting of shareholders.
30	Criteria for evaluating the performance of the senior managers	24				X			Procedure for setting and evaluating targets
31	Policy for setting and reviewing the remuneration of senior managers	24				X			Procedure for setting and evaluating targets
32	Integrated risk management policy	25					X		
33	Responsibilities of the internal auditor.	26				X			Job description
34	Policy for appointing the external auditor, duration of the contract and renewal criteria.	27					X		
35	Policy on the revelation and communication of information to investors	28					X		

(\*) Includes the regulations governing the AGM, regulations concerning the board of directors or others issued by the company.

(\*\*)Indicate the name of the document if not the company by-laws.

# 9. Corporate Sustainability Report

Denomination:	PERU LNG S.R.L.
Fiscal year:	2016
Website:	www.perulng.com
Name or trading name of the reviewing company <sup>1</sup>	
RPJ	OE4139

<sup>1</sup>Only applicable if the information contained in this report has been checked by a specialist company (for example: auditing company or consultant).

Section A	Complete
Question A.1	YES
Question A.2	YES
Question A.3	YES
Question A.4	YES
Question A.5	YES
Question A.6	YES



Question A.1

	Yes	No	Explanation
Does the company as a whole adhere voluntarily to standards of good practice in corporate sustainability?	X		PERU LNG’s management systems are certified to the following standards: ISO 14001, OHSAS 18001 and ISO 9001 (the latter covering the port facility only)

If the answer is yes, indicate the standard and date of adhesion:

Standard	Date of adhesion
ISO 14001:2004	20/02/2014
OHSAS 18001:2007	20/02/2014
ISO 9001:2008	9/04/2015

If the company produces sustainability reports other than this one, give the following information:

These reports are drawn up	Yes	No
Voluntarily		X
At the request of investors		X
At the request of public institutions		X
Others (give details)	Reports are generated that include the practices mentioned above and are provided authorities, associates and internally within the organization.	

These reports can be accessed through:

The SMV website	
Corporate website	
Social networks	
Others / Details	Internal reports

If the answer is yes indicate the results obtained:

Greenhouse gas emissions (carbon footprint) are estimated and/or quantified voluntarily with a view to efficient management of our operations. This information is for internal consumption.[228]
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c. Does the company quantify and document total energy used in its activities?

Yes ☒ No ☐

If the answer is yes indicate the results obtained:

Total energy use in our activities is estimated and/or quantified in order to efficiently manage our operations and energy is used in accordance with applicable standards. This information is for internal consumption. (247)

d. Does the company quantify and document all water used in its activities (water footprint)?

Yes ☒ No ☐

If the answer is yes indicate the results obtained:

The total water used (water footprint) in our activities is estimated and/or quantified in order to efficiently manage our operations and water is used in accordance with applicable standards. This information is for internal consumption. (258)

e. Does the company quantify and document waste generated by its activities?

Yes ☒ No ☐

If the answer is yes indicate the results obtained:

2,036 tn. (9)

Question A.3

	Yes	No	Explanation
Does the company have a policy for promoting and ensuring its employees’ principals and fundamental rights? <sup>1</sup>	X		This policy is included in the Business Code of Conduct, which includes the fundamental rights of its employees.

<sup>1</sup> In accordance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, adopted in 1998, these principles and rights are included in the following four categories: (i) Freedom of association, freedom to form unions and effective recognition of the right to collective bargaining, (ii) elimination of forced or obligatory labor, (iii) abolition of child labor and, (iv) elimination of job and occupational discrimination.



a. If the answer to question A.3 is yes, indicate the company document that governs this policy and the body approving this document.

Document	Entity
Business Code of Conduct	General Manager / Human Resources and Administration Department

b. Does the company keep a record of accidents at work?

Yes ☒ No

If the answer is yes, indicate the department responsible for keeping the record and the hierarchy of responsibility.

Department responsible	A dependency of
QHSE	General Manager

c. Does the company have a training plan for its employees?

Yes ☒ No

If the answer is yes, indicate the company department that approves this plan and the frequency with which it is implemented:

Entity	Evaluation frequency
Talent Acquisition and Development Department	Progress is evaluated monthly

d. Does the company carry out surveys or evaluations of the working environment?

Yes ☒ No

If the answer is yes indicate the results obtained:

A survey is planned for the second quarter of this year. Previous evaluations produced positive results above the industry average.

Question A.4

	Yes	No	Explanation
Does the company have a a policy that establishes basic guidelines for its relationship with the communities with which it interacts?	X		

a. If the answer to question A.4 is yes, indicate the company document that governs this policy and the body approving this document.

Document	Entity
Sustainability policy	General Manager

b. Has the company faced social conflicts (strikes, marches, other incidents) in the community where its main business is located, as a result of its operations?

Yes ☐ No ☒

If the answer is yes, explain the impact these social conflicts on the company’s activities.

c. Does the company collaborate with the community to create value, including identification and resolution of the main common problems?

Yes ☒ No ☐

d. Does the company invest in social programs in the community where its main activities take place?

Yes ☒ No ☐

If the answer is yes, indicate the percentage of gross earnings that its investment represents, according to the company’s financial statements:

(%) Gross income	0.43%
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Question A.5

	Yes	No	Explanation
Does the company have a policy that establishes basic guidelines for managing its relationships with its suppliers?	X		

a. If the answer to question A.5 is yes, indicate the company document that governs this policy and the body approving this document.

Document	Entity
Contracting and procurement procedure	General Manager

b. Does the company keep an up to date record of its suppliers?

Yes ☒ No ☐

If the answer is yes, indicate the department responsible for keeping the record and the hierarchy of responsibility.

Department responsible	A dependency of
Finance	Financial Manager

c. Does the company have criteria for selecting suppliers that contemplates ethical aspects and compliance with labor legislation?

Yes ☒ No ☐

d. Does the company have a purchasing or contracting policy that gives preference to suppliers that meet sustainable management or environmental standards?

Yes ☒ No ☐

Question A.6

	Yes	No	Explanation
Does the company have a policy that establishes basic guidelines for managing its relationships with its clients?		X	The company has only one client and all commercial terms governing its relationship with this client are included in the contract between the two.

a. If the answer is yes, indicate the company document that regulates this policy and the entity approving the document.

Document	Entity

b. Does the company keep an up to date record of customer complaints?

Yes ☐ No ☒

Department responsible	A dependency of

c. Does the company maintain permanent channels for contact with the public and for receiving suggestions and complaints relating to its products and services?

Yes ☐ No ☒

d. Has the company received any award for the quality of its service to its clients?

Yes ☐ No ☒

If the answer is yes, indicate the acknowledgments received:



